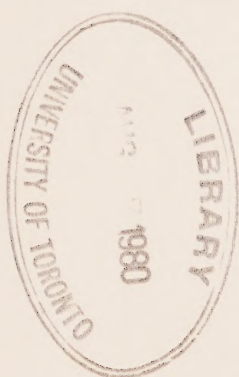
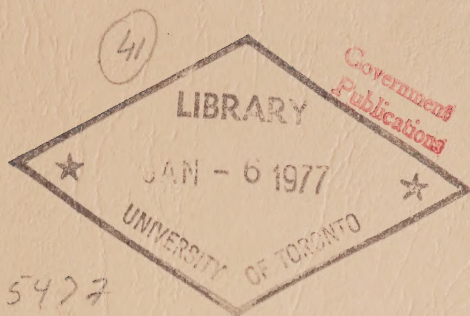


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report of the
PROVINCIAL AUDITOR
to the
LEGISLATIVE ASSEMBLY
of Ontario

for the year ended March 31, 1976



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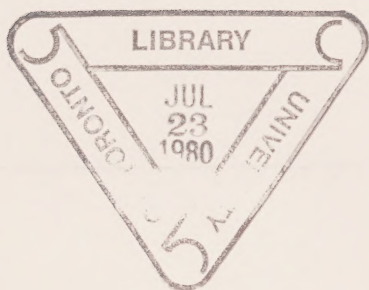
PROVINCIAL AUDITOR

to the

LEGISLATIVE ASSEMBLY

of Ontario

for the year ended March 31, 1976



TORONTO
PRINTED AND PUBLISHED BY THE QUEEN'S PRINTER
1976

THE HONOURABLE
PAULINE M. MCGIBBON, O.C., B.A., LL.D., D.U., B.A.A. (Theatre)

Lieutenant Governor of the Province of Ontario

Madam:

I have the honour to present my report for the fiscal year ended March 31, 1976, in accordance with the requirements of The Audit Act.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'F. N. Scott', written in a cursive style.

F. N. SCOTT, C.A.,
Provincial Auditor.

Toronto, September 30, 1976.

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OFFICE OF PROVINCIAL AUDITOR

1. Audit Responsibilities. The audit responsibilities of the Provincial Auditor are twofold, and involve the examination of:

- (i) The accounts of the Province in accordance with his appointment as auditor under The Audit Act.
- (ii) The accounts of Boards, Commissions and other Crown Agencies in accordance with his appointment as auditor under various related statutes or other appropriate authority.

The examination of the accounts of the Province for the year ended March 31, 1976 was made in conformity with section 19 of The Audit Act which reads as follows:

“19.—(1) The Auditor shall, on behalf of the Assembly, examine in such manner as he considers necessary all accounts of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund whether held in trust or otherwise in order to ascertain that adequate regulations and procedures are in operation,

(a) to secure an effective check on the assessment, collection and allocation of revenue; and

(b) to ensure that expenditures have been made in accordance with legislative authority. 1971, c. 54, s. 4.

(2) The Auditor shall satisfy himself as to the correctness of the accounts mentioned in subsection 1. R.S.O. 1970, c. 36, s. 19(2).”

All Ministries were subject to examination in accordance with section 19 throughout the 1975-76 fiscal year. A listing of the revenue and expenditure audits covered by this Report appears in Exhibit 9.

For the fiscal year ended March 31, 1976 the Provincial Auditor had audit responsibility for forty-eight Boards, Commissions and other Crown Agencies pursuant to his appointment as auditor under the various related statutes. These Agencies are listed in Exhibit 10 to this Report. Four of these Agencies were inactive during 1975-76. Further comment in this regard is contained in section 130.

The Provincial Auditor had audit responsibility during the year for seven other Agencies as a result of his appointment as auditor by shareholders or membership bodies. A listing of these Agencies also appears in Exhibit 10.

Exhibit 10 lists three other operations for which the Provincial Auditor's audit responsibility has not been specifically designated. The Provincial Auditor has undertaken to audit them on the same basis as Crown Agencies. In each case the audit is made in accordance with the Provincial Auditor's responsibilities under The Audit Act.

It should be noted that not all Crown Agencies are audited by the Provincial

Auditor. In accordance with relevant legislation, public accountants have been designated as auditors for certain Agencies. These Agencies include the Art Gallery of Ontario, Clarke Institute of Psychiatry, The Ontario Cancer Institute, Ontario Hydro, The Ontario Institute for Studies in Education, Ontario Mental Health Foundation, Ontario Municipal Employees Retirement Board, Ontario Research Foundation, The Royal Ontario Museum, St. Clair Parkway Commission and the Teachers' Superannuation Fund.

Public accountants have also been designated as auditors for the Ontario Land Corporation, Workmen's Compensation Board and the Toronto Area Transit Operating Authority. However, in these cases, unlike those cited in the preceding paragraph, the governing legislation does involve the Provincial Auditor. With respect to the Ontario Land Corporation and Workmen's Compensation Board, the legislation requires that the audit by the appointed auditors be conducted under the direction of the Provincial Auditor. With respect to the Toronto Area Transit Operating Authority, the legislation stipulates that the auditor's report and working papers be made available to the Provincial Auditor.

2. Reporting Responsibilities. Under section 20 of The Audit Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of his examinations. Section 20 reads as follows:

“20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

- (a) as to his examination of accounts of receipts and payments of public moneys;
- (b) as to his examination of the statements of assets and liabilities, the Consolidated Revenue Fund, the net general revenue and expenditures and related statements in which he shall express an opinion as to whether the statements present fairly the financial position of the Province and the results of its operations and whether the statements were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period;
- (c) as to all special warrants issued and the amounts expended thereunder;
- (ca) as to all cheques for the issue of which he has refused to certify, citing the date and the amount of any expenditures incurred in consequence thereof;
- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended;

- (e) as to any important change in the extent or character of any examination made by him; and
- (f) as to such matters as he desires to bring to the attention of the Assembly. R.S.O. 1970, c. 36, s. 20(1); 1971, c. 54, s. 5(1).

(2) The report of the Auditor shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year. 1971, c. 54, s. 5(2).''

For reference and identification purposes the above legislative provisions can be related to the content of this Report, or otherwise commented upon, as follows:

- 20(1)(a) } : Refer to "Comments on Revenue and Expenditure Transactions" (sections 81-128) and "Comments on Crown Agency Transactions" (sections 129-151).
- 20(1)(f) }
- 20(1)(b) : Refer to "Expression of Opinion on the Financial Statements of the Province" (section 8); "Comments on Assets and Liabilities" (sections 13-28) and "Comments on Consolidated Revenue Fund" (sections 29-80).
- 20(1)(c) : One Special Warrant was issued during the 1975-76 fiscal year (section 128).
- 20(1)(ca) : This provision is no longer applicable as, effective with the 1974-75 fiscal year, all expenditure review has been on a post-audit basis.
- 20(1)(d) : Refer to Exhibit 6.
- 20(1)(e) : No significant changes were made during the year in the extent or character of my examination.

As previously indicated, in the case of certain Crown Agencies audited by public accountants, relevant legislation contains no reference to direction by the Provincial Auditor, and makes no provision for any access by the Provincial Auditor to the records of either the Agency or the appointed auditor. Consequently, the Provincial Auditor is not able to comment with respect to these Agencies. The absence of such comment in this Report is consistent with section 21 of The Audit Act which reads:

"Nothing in this Act shall be construed to require the Auditor to examine or report upon the accounts of any agency of the Crown if the Lieutenant Governor in Council, in pursuance of statutory authority in that behalf, has designated another auditor to examine and report upon the accounts of such agency. R.S.O. 1970, c. 36, s. 21."

3. Organization and Staffing. The Office of Provincial Auditor is divided into four branches, each of which is administered by a Director:

Public Accounts Audit Branch:	audits the Public Accounts of the Province and public debt transactions. Responsible for the preparation of material for the Auditor's Report and liaison with the Standing Committee on Public Accounts.
Revenue Audit Branch:	audits payments into the Consolidated Revenue Fund—e.g. from various tax sources, Federal subsidy programs, etc.
Expenditure Audit Branch:	audits payments out of the Consolidated Revenue Fund—e.g. administrative expenditure, grants and subsidies, etc.
Crown Agency Audit Branch:	audits Boards, Commissions and other Crown Agencies. Where specified by legislation, directs or reviews audits of Agencies performed by public accountants.

An Organization Chart of the Office is presented in Exhibit 8 to this Report.

At the date of this Report, the staff of the Office numbered seventy-five, thirty-four of whom are professionally qualified accountants. Twenty employees are enrolled in various stages of courses leading to professional qualification through one of the following: The Certified General Accountants Association of Ontario, The Institute of Chartered Accountants of Ontario, or The Society of Industrial Accountants of Ontario.

4. Meeting of Legislative Auditors. Commencing in 1973 the Provincial Auditors and the Auditor General of Canada have met annually to discuss matters of mutual interest and concern, and to review the role and direction of their respective Offices. These meetings provide an excellent forum for the exchange of ideas and information, and for the development of new and better ways of discharging audit responsibilities. The fourth annual meeting was held in Victoria on September 15-17, 1976, and was attended by three members of this Office.

5. Examination of the Accounts of the Office of Provincial Auditor. A public accounting firm was appointed by Order in Council dated December 17, 1975, to audit the accounts and financial transactions of the Office of Provincial Auditor for the three year period ended March 31, 1975. This appointment was made in accordance with The Audit Act, section 25, which reads as follows:

"An officer, appointed by the Lieutenant Governor in Council, shall examine the accounts relating to the disbursements of public moneys on behalf of

the Auditor and his staff and such officer shall report thereon to the Lieutenant Governor in Council."

The audit for the three year period ended March 31, 1975 has been completed. On February 20, 1976, the auditor reported to the Lieutenant Governor in Council as follows:

"We have examined the statements of expenditures of the Office of the Provincial Auditor for the years ended March 31, 1973, 1974 and 1975. Our examination included a review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

"In our opinion, these statements present fairly the expenditures of the Office of the Provincial Auditor for the years ended March 31, 1973, 1974 and 1975 on a consistent basis."

The "statements of expenditures" referred to in the foregoing are the Statements of Expenditure for the Office of Provincial Auditor contained in Volume 1 of the Public Accounts of the Province for each of the referenced years.

6. Timetable for Preparation and Submission of the Provincial Auditor's Annual Report to the Legislature. The timetable followed in the preparation and submission of our Report has followed a standard pattern for a number of years. The 1974-75 Report, for example, dealt with audits completed during the twelve month period ended October 31, 1975. In virtually all cases at least a portion of the period covered by the audit fell within the 1974-75 fiscal year. The Report was dated November 28, 1975 and was tabled in the Legislature on March 12, 1976. This latter date was prior to the tenth day of the first session of the Legislature held in 1976, and thus fulfilled the time requirement specified in The Audit Act, the pertinent provision of which is reproduced in section 2 of this Report.

While we have been fulfilling the legislative requirement with regard to tabling, we have, however, been concerned by the fact that observations contained in our Report are frequently made a year or more prior to the date that they are brought to the attention of the Legislature. In an attempt to improve the timeliness of our submission, we are now striving to table our Report on or before December 31st next following the close of the fiscal year, providing the Legislature is then in session.

To achieve this objective, and to allow the required time for the preparation and printing process, our Report will now cover audits completed by September 30th rather than by October 31st as heretofore. Consequently, our 1975-76 Report, the first prepared in accordance with the revised timetable, deals with only eleven months of audit activity, namely, the period November 1975 through September 1976. Subsequent Reports will, of course, cover audit activity through the twelve month period October through September.

PUBLIC ACCOUNTS

7. Preparation of the Public Accounts. The Public Accounts are prepared under the direction of the Treasurer of Ontario as provided for in section 13 of The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. This section reads as follows:

"The Public Accounts for the 1971-72 fiscal year and subsequent years shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

Our audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, and on which I express an opinion. Volume 2 contains reproductions of audited financial statements of Crown Agencies which have an advance from the Province or in which the Province has an investment. The details of expenditure appearing in Volume 3 are not reviewed by this Office prior to publication but are subject to examination during our subsequent post-audit of the Ministry concerned.

8. Expression of Opinion on the Financial Statements of the Province. I report that I have examined the Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1976, the Statement of Consolidated Revenue Fund, the Statement of Revenue, the Statement of Budgetary Expenditure, and the related financial statements appearing in Volume 1 of the Public Accounts for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Province as at March 31, 1976 and the results of its operations for the year then ended, and were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are fully described under the heading of "Basis of Reporting" on pages 6-7 of Volume 1 of the Public Accounts.

9. Basis of Reporting. The "Basis of Reporting" referred to in my expression of opinion on the financial statements of the Province reads as follows:

"The financial statements of the Province of Ontario reflect the use of the 'cash flow' principle of accounting. This method, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended, offers a precise measurement of government activity for a fiscal year. This, rather than the 'accrual' principle, is utilized because of two fundamental characteristics of government reporting which set it apart from commercial practice.

The first characteristic is the constitutional principle which underlies the system. The Legislature votes sums of money to specified ministries for stated purposes. The Legislature provides for the required money by authorizing the government to levy taxes or to borrow. The accounts of the government therefore are a record of stewardship and reflect the accountability to the Legislature for the management and disposition of monies levied, entrusted and spent. The purpose of the public accounts in government is to explicitly display that stewardship as revenue flows into and expenditure flows out of the Consolidated Revenue Fund.

The second characteristic is that there is no direct commercial relationship between government revenues and government expenditures. This obviates the 'matching' benefit provided by accrual accounting. Expenditures are incurred for the operation of a wide range of services which have been established by government policy. Taxation, the major source of revenues, is imposed on those parts of the economy best able to finance government programs and is also a fiscal policy instrument for the government, in terms of its incidence and in its relationship to expenditures.

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund:

'Budgetary Transactions' are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants and the acquisition or creation of fixed assets. Government assets are generally of lasting value and may tend even to appreciate over time; e.g. parkland, public works or the highway system. Their benefit to future taxpayers is not significantly different from expenditures on education or health care. For these reasons Provincial expenditures on fixed assets are treated as non-recoverable expenditures of each fiscal year. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt.

'Non-Budgetary Transactions' are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts, all of which bear directly on the Statement of Assets and Liabilities. 'Disbursements' is the term used to describe the lending and investment transactions of the

government. 'Receipts' consist of the repayment of loans or recovery of investments. 'Credits' is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed 'Charges'.

'Debt Transactions' are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds and are reflected directly in the Statement of Assets and Liabilities.

The Net Debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits less surpluses since Confederation. Year-to-year changes in net debt are the amount by which revenues exceed or are less than budgetary expenditures.

With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements presented in this Report reflect (i) the year-end position of the advances to or the investments in these entities which are made from the Consolidated Revenue Fund and (ii) the extent to which their operations have been financed from or have contributed to the Fund for the year."

Reference is made under the foregoing caption of 'Non-Budgetary Transactions' to the government lending and investment activity in various Crown Corporations and Agencies. By way of amplification, it should be noted that the interest of the Province in these Crown Corporations and Agencies is shown in the Statement of Assets and Liabilities contained in Volume 1 of the Public Accounts only to the extent of the outstanding amounts actually invested or advanced to them. Thus, the accumulated earnings (or deficits) of these organizations are not reflected therein. The financial statements of relevant Crown Corporations and Agencies are reproduced in Volume 2 of the Public Accounts.

10. Presentation of Acquisition/Construction of Physical Assets in the Public Accounts. Expenditure with respect to the acquisition/construction of physical assets totalled \$346,230,383 for the year ended March 31, 1976, and is summarized by Ministry on page 56 of Volume 1 of the 1975-76 Public Accounts.

As indicated in the guide to the 1975-76 Public Accounts, Volume 1, page 8, the acquisition/construction of physical assets standard accounts classification includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. This standard accounts classification does not, however, include the cost of work performed by the Province's own labour force with respect to new capital formation, nor does it include the costs of materials and services provided by the Province for use by contractors on capital projects. Such costs are termed "own account" expenditure and are charged to other standard accounts classifications—salaries and wages, services, etc.

"Own account" expenditure is substantial and, according to records main-

tained in this regard, totalled in excess of \$82 million for the 1975-76 fiscal year.

11. The Standing Committee on Public Accounts. The Public Accounts of the Province and the Provincial Auditor's annual report to the Legislature are reviewed by the Standing Committee on Public Accounts after being tabled in the Legislature. The Committee constituted for the Third Session of the Thirtieth Parliament, which commenced on March 9, 1976, consisted of thirteen members and, as is the custom, was chaired by a member of the Official Opposition. The party membership of the Committee is traditionally proportional to the respective party membership in the Legislative Assembly.

The Standing Committee on Public Accounts held fifteen meetings during the period March 1976 through June 1976. Most of these meetings were open to the public. During its deliberations the Committee reviewed many of the comments contained in the Provincial Auditor's 1974-75 Report which was tabled in the Legislature on March 12, 1976.

The Committee discontinued its activities when the Legislature adjourned for the summer recess. As of the date of this Report the Legislature had not returned; therefore, no further meetings of the Committee have as yet been held.

The Committee did not submit an interim report to the Legislature prior to the summer recess, opting instead for a full report upon completion of its deliberations in the fall.

12. Re Recommendations of the Previous Standing Committee on Public Accounts. On March 30, 1976 the Provincial Auditor tabled a presentation with the Standing Committee on Public Accounts which outlined the status of the twenty-four recommendations contained in the Committee's July 1975 Interim Report to the Legislature. For reference purposes the recommendations of the Committee are detailed in Exhibit 12. During the spring of 1976 the Committee extensively reviewed the Provincial Auditor's presentation in respect of Recommendations 1 through 16. A review of the balance of the presentation is to be undertaken when the Committee reconvenes in the fall. Pending completion of this review, we have considered that Recommendations 2, 5, 6, 8, 9, 11, 12, 13, 14, 15 (first part), 16, 19, 20 (first part), and 21 have been satisfactorily resolved. Further action, which we will continue to monitor in the course of our audit activity, is required with respect to Recommendations 1, 3, 4, 7, 10, 15 (second part), 17, 18, 20 (second part), 22, 23 and 24.

COMMENTS ON ASSETS AND LIABILITIES

13. Introductory Comments. The Statement of Assets and Liabilities at March 31, 1976, as shown in Volume 1 of the 1975-76 Public Accounts, is reproduced as Exhibit 2 to this Report.

As explained in the "Basis of Reporting" outlined in section 9 of this Report, the financial statements of the Province reflect a modified "cash flow" principle of accounting rather than the "accrual" principle. In addition, Provincial expenditure on fixed assets is treated as non-recoverable expenditure of each fiscal year. As a result, the Statement of Assets and Liabilities does not include assets such as buildings, land or accounts receivable nor liabilities such as accounts payable. However, memorandum records of certain of these assets and liabilities are maintained for internal control purposes. The memorandum accounts for Accounts Receivable and Accounts Payable at March 31, 1976 are shown in Volume 1 of the 1975-76 Public Accounts, pages 52-53.

14. Summary of Assets and Liabilities. For reference purposes a summary of assets and liabilities at March 31, 1976, with comparative figures for the preceding year, is as follows:

Assets	March 31, 1976 \$	March 31, 1975 \$
Cash, temporary investments and marketable securities	1,031,041,384	856,301,037
Advances to Ontario Hydro	2,307,056,636	1,788,495,970
Advances and investments—		
other corporations, boards and commissions	4,102,188,993	3,778,440,816
Investments in water treatment and waste control		
facilities (at cost less recoveries)	666,210,360	528,262,811
Loans to municipalities	271,790,254	213,274,581
Other loans and investments	237,432,069	219,574,558
Total recorded assets	8,615,719,696	7,384,349,773
Net debt	4,928,044,232	3,448,069,583
	<u>13,543,763,928</u>	<u>10,832,419,356</u>
Liabilities		
Demand deposits with the Province of Ontario Savings		
Office	286,726,596	233,727,157
Pension funds	951,227,021	795,952,606
Deposit, trust and reserve accounts	187,403,404	187,658,780
Unmatured debt	12,118,406,907	9,615,080,813
	<u>13,543,763,928</u>	<u>10,832,419,356</u>
Contingent liabilities: bonds, etc., guaranteed by the		
Province	5,027,075,146	3,843,449,294

15. Cash, Temporary Investments and Marketable Securities. The balances included under this heading, with comparable balances for the preceding year, were as follows:

	<i>March 31, 1976</i> \$	<i>March 31, 1975</i> \$
Temporary Investments	1,186,165,456	1,131,160,501
Marketable Securities	308,334,964	166,391,699
Bank Balances	(463,459,036)	(441,251,163)
	<u>1,031,041,384</u>	<u>856,301,037</u>

TEMPORARY INVESTMENTS, totalling \$1,186,165,456 at March 31, 1976, are shown at cost and consisted of Time Deposits with Canadian chartered banks of \$1,103,286,939, loans to investment dealers on a call or day loan basis, secured by collateral, of \$43,500,000 and investments in short term notes of \$39,378,517.

The Time Deposits are recorded at cost in Canadian funds at the dates of deposit. When related to the currency in which the Time Deposits are redeemable, the cost total of \$1,103,286,939 was identified as follows: Canadian dollars—\$1,103,206,750; and West German deutsche marks—\$80,189.

MARKETABLE SECURITIES, totalling \$308,334,964 at March 31, 1976, are shown at cost and consisted of Ontario Hydro debentures of \$112,317,800, Province of Ontario debentures of \$126,766,706, and Government of Canada debentures of \$69,250,458. In aggregate the marketable securities had a market value of approximately \$294 million at March 31, 1976.

BANK BALANCES as recorded by the books of the Province reflected an overdraft position. This situation resulted mainly from cheques issued during April 1976 which were dated March 31, 1976 and were charged to 1975-76. Such practice is the modification of the "cash flow" principle of accounting explained in the "Basis of Reporting" (section 9), and is in accordance with the authority provided under The Financial Administration Act.

The amounts actually on deposit with the banks totalled more than \$11 million at March 31, 1976. Deductions for outstanding cheques and allowances for adjustments contributed to a net overdraft of \$463,459,036 on the books of the Province.

16. Advances to Ontario Hydro. These advances, with comparable balances for the preceding year, and the financial activity during the 1975-76 fiscal year, were as follows:

	<i>March 31, 1975</i> \$	<i>Advances Made</i> \$	<i>Repayments Received</i> \$	<i>March 31, 1976</i> \$
Secured by bonds	1,710,294,000	575,000,000	45,342,000	2,239,952,000
Unsecured	78,201,970		11,097,334	67,104,636
	<u>1,788,495,970</u>	<u>575,000,000</u>	<u>56,439,334</u>	<u>2,307,056,636</u>

The financial statements of Ontario Hydro are shown in Volume 2 of the 1975-76 Public Accounts.

Advances secured by bonds are made to Ontario Hydro from the proceeds of debentures issued by the Province of Ontario for that purpose under the authority of The Power Corporation Act. These advances are repayable in United States dollars and are recorded in Canadian funds at par, as is the related liability (see section 27). As security for the advances, the Province holds Ontario Hydro United States dollar bonds for the principal amount with the same interest rate and terms as the corresponding Province of Ontario debentures.

The advances of \$575 million made to Ontario Hydro during the 1975-76 fiscal year represented the gross proceeds from four Ontario debenture issues in the United States on behalf of Ontario Hydro. These issues are identified as series EY, EZ, FC and FD and are shown at their respective par values in the Details of Debentures Outstanding statement on page 39 of the 1975-76 Public Accounts.

Unsecured advances to Ontario Hydro represent the Province's share of the capital cost of the first two units of a nuclear powered generating station at Pickering.

17. Advances and Investments—Other Corporations, Boards and Commissions. The balances included under this heading, with comparable balances for the preceding year, and the financial activity during the 1975-76 fiscal year were as follows:

	March 31, 1975 \$	Advances/ Investments Made \$	Repayments Received \$	March 31, 1976 \$
The Ontario Education Capital Aid Corporation	1,187,081,958	97,657,000	51,291,629	1,233,447,329
The Ontario Universities Capital Aid Corporation	1,196,148,314	42,294,020	22,452,435	1,215,989,899
Ontario Mortgage Corporation	384,419,000	177,890,400	20,994,000	541,315,400
Ontario Land Corporation	320,100,000	22,100,000	4,450,000	337,750,000
Ontario Housing Corporation	261,892,969	56,047,319	13,234,366	304,705,922
Ontario Student Housing Corporation ..	8,600,400		53,073	8,547,327
Ontario Energy Corporation	100,000,000			100,000,000
Ontario Development Corporation	89,570,645	19,976,401	14,757,310	94,789,736
Northern Ontario Development Corporation	20,651,141	21,016,674	5,575,012	36,092,803
Eastern Ontario Development Corporation	5,982,522	11,126,528	55,000	17,054,050
Ontario Northland Transportation Commission	65,207,935	11,000,000		76,207,935
The Ontario Junior Farmer Establishment Loan Corporation	74,040,114		2,782,188	71,257,926
The Ontario Municipal Improvement Corporation	29,871,303	8,610,610	5,290,762	33,191,151
Liquor Control Board of Ontario	25,074,515			25,074,515
The Ontario Transportation Development Corporation	6,000,000		6,000,000*	
Urban Transportation Development Corporation, Ltd.		6,000,000*		6,000,000
Algonquin Forestry Authority		400,000		400,000

The Crop Insurance Commission of Ontario	3,500,000	2,600,000	5,735,000	365,000
Ontario Lottery Corporation	300,000		300,000	
	<u>3,778,440,816</u>	<u>476,718,952</u>	<u>152,970,775</u>	<u>4,102,188,993</u>

*The Province did not actually receive a repayment of \$6,000,000 for its investment in The Ontario Transportation Development Corporation nor did it directly invest \$6,000,000 in the Urban Transportation Development Corporation, Ltd. Instead, the Province's investment was effectively transferred from the former Corporation to the latter as a result of The Ontario Transportation Development Corporation transferring its net assets to the Urban Transportation Development Corporation, Ltd. on August 29, 1975. The transfer of net assets was made in exchange for 2,000,000 common shares of no par value which were issued to Her Majesty in the right of the Province of Ontario as represented by the Minister of Transportation and Communications.

The Urban Transportation Development Corporation, Ltd. was incorporated October 10, 1974 under the Canada Corporations Act. The above-described transfer of net assets from The Ontario Transportation Development Corporation to the Urban Transportation Development Corporation, Ltd. was in accordance with the provisions of The Ontario Transportation Development Corporation Act, 1973, as amended.

Financial statements of these Crown Corporations, Boards and Commissions (Ontario Lottery Corporation excepted) are shown in Volume 2 of the 1975-76 Public Accounts.

Explanatory comment relative to the nature of these Corporations, Boards and Commissions, and to the terms of the relative advances and investments made by the Province, is contained on pages 29-30 of Volume 1 of the 1975-76 Public Accounts. Additional explanatory comment with regard to certain of these Corporations, Boards and Commissions is presented as follows:

THE ONTARIO UNIVERSITIES CAPITAL AID CORPORATION. Advances by the Province to this Corporation as at March 31, 1976 are repayable out of future years' Provincial expenditure appropriations.

The Corporation employs funds advanced by the Province to purchase bonds and debentures issued by colleges, universities and related institutions for capital construction purposes. The issuing institution redeems its debentures, with interest, over their term utilizing moneys appropriated by the Legislature for such purpose. The Corporation, in turn, utilizes redemption proceeds to repay, with interest, its advances from the Province.

By way of illustration, in 1975-76 institutions effectively made principal and interest payments to the Corporation totalling \$106,876,862, of which \$104,902,353 was provided out of the expenditure appropriations of the Ministry of Colleges and Universities as reflected on page 401 (Vote 2502-2) and page 403

(Vote 2503-2) of Volume 1 of the 1975-76 Public Accounts. The balance of \$1,974,509 was provided by municipalities in connection with debentures issued for library construction.

Of the \$106,876,862, principal repayment amounted to \$22,452,435 and was included in the Statement of Receipts on page 14 of the 1975-76 Public Accounts, Volume 1. The balance, \$84,424,427 represented interest and was reflected as such in the Revenue statement of the Ministry of Treasury, Economics and Intergovernmental Affairs, page 183 of the 1975-76 Public Accounts, Volume 1.

THE ONTARIO EDUCATION CAPITAL AID CORPORATION. The situation with respect to the repayment of advances made by the Province to this Corporation is somewhat analogous to that outlined for The Ontario Universities Capital Aid Corporation. For, to a large extent, the advances by the Province to The Ontario Education Capital Aid Corporation are repayable out of future years' Provincial expenditure appropriations.

In the calculation of General Legislative Grants, a component of the annual appropriation for the School Business and Finance program activity, Ministry of Education (Vote 2802-11, page 447 of Volume 1 of the 1975-76 Public Accounts), consideration is given to the repayments of debenture principal, with interest, which municipalities are required to make to The Ontario Education Capital Aid Corporation.

ONTARIO DEVELOPMENT CORPORATION. Advances recorded at March 31, 1976, included advances with respect to forgivable performance loans made by the Corporation in the outstanding amount of \$26,803,290. The major portion of advances by the Province to the Corporation with respect to forgivable performance loans is repayable out of future years' Provincial expenditure appropriations.

Performance loans are loans made by the Corporation to persons establishing or substantially expanding an industrial undertaking in an area of equalization of industrial opportunity. These loans are non-interest bearing and are subject to principal forgiveness. Forgiveness is contingent upon the borrower operating his business in a manner satisfactory to the Corporation. Generally speaking, loan forgiveness is at the rate of ten per cent at the end of each of the first five years of operation with the balance, or fifty per cent, forgiven at the end of the sixth year of operation. When borrowers' loan principal is forgiven, moneys appropriated by the Legislature for the purpose of loan forgiveness are utilized by the Corporation to repay its corresponding advance indebtedness with the Province.

To illustrate, in 1975-76 the Corporation forgave loan principal in the amount of \$6,736,545. The Corporation's advances from the Province with respect to performance loans were reduced, or repaid, by a corresponding amount

utilizing funds provided out of the expenditure appropriations of the Ministry of Industry and Tourism. Both the expenditure and repayment activity were reflected in Volume 1 of the 1975-76 Public Accounts. The former was included in Vote 2009-1 (page 329), while the latter was included in the receipts from Ontario Development Corporation reflected in the Statement of Receipts (page 14).

ONTARIO NORTHLAND TRANSPORTATION COMMISSION. Advances by the Province to the Commission included advances made since 1972, totalling \$46,000,000, which are of a demand loan nature and are interest bearing.

The balance, \$30,207,935, represented advances made to the Commission prior to 1972. This amount, which is non-interest bearing, could be termed an investment in, rather than an advance to, the Ontario Northland Transportation Commission.

A difference in the nature of the two amounts, \$46,000,000 and \$30,207,935, is recognized by the Commission in its financial statement presentation. The former is classified as a current liability in the balance sheet, while the latter is classified as a long-term liability.

LIQUOR CONTROL BOARD OF ONTARIO. Each year the Board pays over to the Province that portion of its annual profits which are not required for the Board's operating purposes. Such payments are recorded as revenue in the books of the Province (see page 160 of the 1975-76 Public Accounts, Volume 1).

For many years necessary accounting transactions were recorded in the books of the Province to ensure that the Province's investment in The Liquor Control Board equaled the accumulated amount of profits retained by the Board for operating purposes, and which the Board had invested in stock, supplies, etc. Commencing with the year ended March 31, 1972, however, the relationship between the Province's investment in the Board and the amount of profits retained by the Board has not been maintained. For, while the Province's recorded investment in the Board has remained unchanged at \$25,074,515, the retained profits of the Board have increased over the five year period and totalled \$33,272,447 at March 31, 1976.

NORTHERN ONTARIO DEVELOPMENT CORPORATION. Advances recorded at March 31, 1976 included advances with respect to forgivable performance loans in the outstanding amount of \$3,384,095. To a large extent advances by the Province to the Corporation with respect to forgivable performance loans made to borrowers are repayable out of future years' Provincial expenditure appropriations.

For further information relative to performance loans see comments under **ONTARIO DEVELOPMENT CORPORATION.**

18. Investments in Water Treatment and Waste Control Facilities. The

Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable with interest over a specified period of years.

During the 1975-76 fiscal year additional investments of \$154,938,640 were made and recoveries of \$16,991,091 were received, leaving a balance of \$666,210,360 outstanding at March 31, 1976.

19. Loans to Municipalities. The balances included under this heading, with comparable figures for the preceding year, and the financial activity during the 1975-76 fiscal year, were as follows:

	<i>March 31, 1975</i>	<i>Loans Made</i>	<i>Repayments Received</i>	<i>March 31, 1976</i>
	\$	\$	\$	\$
Sundry Municipalities re:				
Municipal Works Assistance	70,410,171		4,556,950	65,853,221
Tile Drainage	37,639,392	16,219,600	4,972,896	48,886,096
Federal-Provincial Winter				
Capital Projects Fund	17,576,646	33,948,743	393,714	51,131,675
Federal-Provincial Employment				
Loans	16,360,729		559,129	15,801,600
Ontario Housing Action				
Program	12,834,333	20,476,746		33,311,079
Federal-Provincial Special				
Development Loans	4,404,000		277,300	4,126,700
The Shore Line Property				
Assistance Act, 1973	748,893	477,200	25,172	1,200,921
The Municipality of Metropolitan				
Toronto	48,810,000		1,451,000	47,359,000
Township of Elliot Lake	2,418,300		214,900	2,203,400
Town of Kapuskasing	1,359,807		51,071	1,308,736
City of Windsor	216,484		66,484	150,000
Improvement District of				
Manitouawadge	150,000		34,000	116,000
The Moosonee Development				
Area Board	119,000		4,000	115,000
Township of Collingwood	116,826			116,826
Township of Amabel	110,000			110,000
	<u>213,274,581</u>	<u>71,122,289</u>	<u>12,606,616</u>	<u>271,790,254</u>

Explanatory comment with regard to the various Loans to Municipalities is contained on pages 30-31 of Volume 1 of the 1975-76 Public Accounts.

20. Other Loans and Investments. The balances included under this heading, with comparable balances for the preceding year, and financial activity during the 1975-76 fiscal year, were as follows:

	<i>March 31, 1975</i>	<i>Loans Made</i>	<i>Repayments Received</i>	<i>March 31, 1976</i>
	\$	\$	\$	\$
Loans to public hospitals	205,844,662	32,569,000	13,840,912	224,572,750
The Sault Ste. Marie Bridge Act:				
International Bridge Authority				
of Michigan—bonds	7,615,072			7,615,072

St. Mary's River Bridge Company—shares	1,370			1,370
Municipal and school tax credit assistance	2,694,914	581,713	207,942	3,068,685
Sundry co-operative associations	1,607,022	122,000	226,513	1,502,509
Loans under The Fisheries Loans Act	898,164		898,164*	
Provincial student-aid loans	432,724		120,566	312,158
Sundry conservation authorities	330,490		70,965	259,525
Sandwich, Windsor and Amherstburg Railway Company —bonds				
Maturing June 30, 1976 to 1977	150,000		50,000	100,000
Agricultural loans	140		140	
	<u>219,574,558</u>	<u>33,272,713</u>	<u>15,415,202</u>	<u>237,432,069</u>

*see comment below

Explanatory comment with regard to the various Other Loans and Investments is contained on pages 31-32 of Volume 1 of the 1975-76 Public Accounts. Additional explanatory comment relative to two of the loan categories is presented as follows:

LOANS TO PUBLIC HOSPITALS. Many loans by the Province to the public hospitals are substantially repayable out of future years' Provincial expenditure appropriations.

During the 1975-76 fiscal year, for example, public hospitals made principal and interest (excluding interest subsidy) payments to the Province in the amounts of \$13,840,912 and \$5,096,639 respectively. Of the total of \$18,937,551 so paid by the public hospitals, \$14,661,872 was provided in the form of grants from the Province. These grants were included in the expenditure appropriations of the Ministry of Health for the fiscal year ended March 31, 1976, Vote 2903-7.

LOANS UNDER THE FISHERIES LOANS ACT. As indicated in our 1974-75 Report (section 20) these loans totalling \$898,164, were written off by the Province under the authority of Order in Council dated September 7, 1975. For accounting purposes the amount of \$898,164 is reported in Volume 1 of the 1975-76 Public Accounts, page 361, as expenditure of the Ministry of Natural Resources. It is also reflected as a receipt of the Ministry of Natural Resources in the Statement of Receipts in the Public Accounts, page 15. (For further comment see section 26).

21. Fixed Assets. As explained in the basis of reporting contained in section 9 of this Report, the costs of fixed assets are treated as expenditure in each fiscal year. These assets are carried in the accounting records of the Province at a nominal value of one dollar. Prior to 1974-75 the nominal value of the fixed assets was shown separately in the Statement of Assets and Liabilities. For more concise statement presentation this practice has been discontinued.

22. Inactive Assets; Reserve for Inactive Assets. Prior to 1974-75 inactive assets, and an offsetting reserve for inactive assets, were reflected in the State-

ment of Assets and Liabilities. In the interest of more concise statement presentation both amounts have since been omitted from the Statement of Assets and Liabilities.

The total of inactive assets at March 31, 1976 was \$4,350,546 and was unchanged from the previous year. The balance of inactive assets at March 31, 1976 was made up entirely of the Government of Canada accounts, consisting of a Debt Account of \$2,848,290 and a Common School Fund of \$1,502,256. The Debt Account is an amount on which the Government of Canada pays interest at 5% per annum to compensate the Province of Ontario for moneys withheld from the Province in the period July 1, 1867 to January 1, 1873.

The Common School Fund represents Ontario's share in a permanent fund of \$2,677,771 held in trust by the Government of Canada for the Provinces of Ontario and Quebec. This fund, the total of which has not changed since March 31, 1942, is derived from the sale of Crown lands set aside for the benefit of common schools by statutes enacted before Confederation. The Government of Canada pays interest to the Province on the principal sum at the rate of 5% per annum in proportion to their respective populations as determined by the most recent decennial census. The present allocation of interest is based on the census of 1971.

A reserve for the full amount of the Government of Canada accounts has been provided since the present agreement does not call for liquidation of the principal amounts.

23. Net Debt. The Net Debt of the Province is the excess of liabilities over recorded assets. Year-to-year changes in Net Debt are related directly to the amount by which revenue exceeds, or is less than, expenditure on budgetary transactions. Revenue was less than expenditure on budgetary transactions by \$1,479,974,649 for the 1975-76 fiscal year, with the result that Net Debt increased by that amount to \$4,928,044,232 at March 31, 1976.

24. Demand Deposits with The Province of Ontario Savings Office. These deposits are carried in twenty-one branches of the Savings Office throughout the Province. The liability of the Savings Office to depositors, with comparable balances for the preceding year, consisted of:

	March 31, 1976 \$	March 31, 1975 \$
Current Balances	286,548,357	233,551,187
Unclaimed Balances	178,239	175,970
	<u>286,726,596</u>	<u>233,727,157</u>

It is current practice of the Savings Office to transfer a deposit balance from a current classification to an unclaimed classification when no communication has been received from the depositor, and no activity has taken place in the account, for a five year period.

The financial statement of The Province of Ontario Savings Office is shown on page 50 in Volume 1 of the 1975-76 Public Accounts.

25. Pension Funds. The balances included under this heading, with comparable balances for the preceding year, and financial activity during the 1975-76 fiscal year, were as follows:

	<i>March 31, 1975</i> \$	<i>Credits</i> \$	<i>Charges</i> \$	<i>March 31, 1976</i> \$
Public Service Superannuation Fund	794,041,635	194,614,943	47,053,065	941,603,513
Legislative Assembly Retirement Allowances Account	1,910,972	8,231,772	519,236	9,623,508
	<u>795,952,607</u>	<u>202,846,715</u>	<u>47,572,301</u>	<u>951,227,021</u>

The balances in the Public Service Superannuation Fund and in the Legislative Assembly Retirement Allowances Account are on deposit with the Treasurer of Ontario. For further comment on the Fund and on the Account see sections 149 and 138 respectively.

The Superannuation Adjustment Fund, which was established in 1975-76, is not reflected under the "Pension funds" heading in the Statement of Assets and Liabilities. Instead, it is included under the caption of "Deposit, trust and reserve accounts" (see section 26).

26. Deposit, Trust and Reserve Accounts. The balances included under this heading, with comparable balances at the end of the preceding year, are summarized as follows:

	<i>March 31, 1976</i> \$	<i>March 31, 1975</i> \$
Deposit and Trust Accounts	182,285,609	183,007,223
Reserves	5,117,795	4,412,692
Miscellaneous	—	238,865
	<u>187,403,404</u>	<u>187,658,780</u>

Deposit and Trust Accounts and Reserves are itemized in Volume 1 of the 1975-76 Public Accounts on pages 33-34.

The DEPOSIT AND TRUST ACCOUNTS balance was comprised mainly of four items:

i) ONTARIO ENERGY CORPORATION—\$71,792,360

By authority of Order in Council dated February 20, 1975 the Province advanced \$100 million to the Ontario Energy Corporation for start-up funding. The Corporation placed the bulk of this sum on deposit with the Treasurer of Ontario. An amount of \$71,792,360 remained on deposit at March 31, 1976.

ii) SINKING AND RESERVE FUNDS—MINISTRY OF THE
ENVIRONMENT—\$42,938,759

These funds relate to the Province's investment in water treatment and waste control facilities. The sinking fund is maintained for the recovery of the cost of capital assets while the reserve fund is kept for renewals, replacements and contingencies.

iii) MOTOR VEHICLE ACCIDENT CLAIMS FUND—\$31,913,348

The amount on deposit with the Treasurer of Ontario represents the balance at the credit of the Fund.

iv) SUPERANNUATION ADJUSTMENT FUND—\$20,600,519

The amount on deposit with the Treasurer of Ontario represents the balance at the credit of the Fund. For further comment on this Fund see section 131.

While relatively smaller in monetary significance, many additional accounts were included in the Deposit and Trust Accounts category. Background on the following accounts is presented for informative purposes.

ONTARIO FOOD TERMINAL BOARD—SINKING
FUND DEPOSITS: \$2,717,941

The Ontario Food Terminal Act provides for the establishment of a sinking fund for the repayment of securities issued by the Ontario Food Terminal Board and guaranteed by the Province of Ontario.

Debentures to the principal amount of \$5,000,000 dated June 1, 1955, with interest at three and one-half per cent and maturing on June 1, 1985, were issued by the Board and the proceeds invested in the purchase of property and the construction and equipment of a food terminal. Pursuant to the Act, the payment of principal and interest was guaranteed by Order in Council dated June 16, 1955 and a sinking fund was established.

The Board makes semi-annual payments into the fund which, together with the proceeds from certain securities deposited with the Treasurer of Ontario and interest earnings generated by the fund, are designed to accumulate to an amount sufficient to retire the debentures on their maturity date. During 1975-76 the fund received \$247,502 bringing the balance of the fund to \$2,717,941 at March 31, 1976.

PERSONAL PROPERTY SECURITY ASSURANCE FUND: \$862,924

The Personal Property Security Act which established a registration system for personal property, stipulated that there should be an account in the Consolidated Revenue Fund known as "The Personal Property Security Assurance

Fund''. The purpose of the fund is to provide compensation for any person who suffers loss or damage as a result of reliance upon a certificate of the registrar issued under section 44 of the Act.

Section 45 of the Act provides for payment into the Fund of a portion of certain fees prescribed under the Act and for interest to be credited to the Fund at a rate to be determined from time to time by the Lieutenant Governor in Council. Ontario Regulation 280/71, which came into force on May 1, 1971, specified the portion of fees to be paid into the Fund. This portion has been adjusted by Ontario Regulation 779/75, which came into force on April 1, 1976 co-incident with a revision of the fees structure prescribed under the Act.

During the year ended March 31, 1976 the Fund received \$165,515 from fees and \$59,271 on account of interest. As of March 31, 1976 no amounts had been paid out of the Fund since its inception in 1971.

ASSURANCE FUND—LAND TITLES OFFICE: \$300,000

The Assurance Fund under The Land Titles Act is administered by the Accountant of the Supreme Court. At March 31, 1976 the Fund totalled approximately \$1 million, of which \$300,000 had been deposited or invested with the Treasurer of Ontario. This investment occurred prior to 1932.

This Assurance Fund was formed pursuant to The Land Titles Act, passed in 1885, which established a system for land registry. The purpose of the Fund was to indemnify persons who might be deprived of land or some estate or interest therein by reason of the land being brought under the provisions of the Act or through errors in title or registration. The Fund was constituted by levying a fee, in addition to all other fees, on the first certificate of title granted under the Act in respect of any land. The fees so levied were to be paid into court, with the privity of the Accountant of the Supreme Court, for credit to the Fund. The Act further directed that the money in the Fund should be invested and the interest or income derived therefrom credited to the Fund.

An amendment to the Act in 1910 directed that money standing to the credit of the Fund and payments thereafter received should on demand be paid to the Treasurer of Ontario. The Treasurer was to issue to the Accountant of the Supreme Court in trust, Ontario Government Stock for the sums received, the stock to represent the Assurance Fund and be available for the same purposes. Payments were requested and made to the Treasurer of Ontario in 1911, 1925 and 1931 for an aggregate total of \$300,000. Stock certificates were issued for this amount and bear interest at the rate of two and one-half per cent per annum.

MINISTRY OF COLLEGES AND UNIVERSITIES—SPECIAL ACCOUNT: \$140,987

This special account was established in March 1967 to facilitate the acquisition of real property for Ryerson Polytechnical Institute. Expropriation proceed-

ings had commenced on certain properties required for expansion and in a minute of March 2, 1967 Treasury Board approved a proposal by the Department of Education to establish a special fund to cover the expected costs of acquisition. Accordingly, on March 31, 1967 an amount of \$2,181,025 was requisitioned by the Department of Education from 1966-67 appropriations and placed in the special account.

Payments from the account since its inception have totalled \$2,040,038 leaving a balance of \$140,987 as at March 31, 1976. We were advised that a final payment of \$26,981 was made in December 1975. As there would appear to be no further need for this special account, we wrote to the Deputy Minister of Colleges and Universities regarding the intended disposition of the account balance. He replied on August 25, 1976 and advised that: “. we in the Ministry have no direct interest in the disposal of the balance and have assumed that it would be taken into the general revenues of the Province.”

The MISCELLANEOUS category in the foregoing summary was retired during the 1975-76 fiscal year. The balance at March 31, 1975 included an amount of \$193,241 owing to the Government of Canada, representing its contribution to loans made to commercial fishermen by the Province in 1970-71 under The Fisheries Loans Act.

As indicated in section 20 of this Report, the loans made by the Province were written off as uncollectable during the year. In view of this action, the Government of Canada subsequently relieved the Province of the obligation to repay Canada’s contribution of \$193,241. For accounting purposes this amount is reported in Volume 1 of the 1975-76 Public Accounts, page 361, as a reduction in the expenditure of the Ministry of Natural Resources. It is also reflected as a charge of the Ministry of Natural Resources in the Statement of Charges in the Public Accounts, page 23.

27. Unmatured Debt. We have used the term unmatured debt to identify the total of the following liabilities designated on the Statement of Assets and Liabilities: Advances payable, Treasury bills, and Debentures and notes. Comparable balances for unmatured debt, and its components, at March 31, 1976 and March 31, 1975 were as follows:

	March 31, 1976	March 31, 1975
	\$	\$
Advances payable	60,573,087	61,134,861
Treasury bills	325,000,000	
Debentures and notes	11,732,833,820	9,553,945,952
	<u>12,118,406,907</u>	<u>9,615,080,813</u>

ADVANCES PAYABLE at March 31, 1976 comprised two elements. The first element of \$46,923,087 represented funds advanced to the Province on an interim

basis by the Central Mortgage and Housing Corporation for a portion of the cost of waste control projects under construction. When a project is completed the advance is partially forgiven and the balance converted to a forty year debenture. During the 1975-76 fiscal year advances in the amount of \$36,269,823 were received, while \$24,331,597 was forgiven or debentured.

The second element of \$13,650,000 represented deposits received from The Ontario Municipal Employees Retirement Fund in the period January 1, 1976 to March 31, 1976. This amount will be debentured as at December 31, 1976.

TREASURY BILL financing was re-commenced in 1975-76. Proceeds and redemptions totalled \$810,000,000 and \$485,000,000 respectively, leaving Treasury bills outstanding in the amount of \$325,000,000 at March 31, 1976.

DEBENTURES AND NOTES comprised over 96 per cent of unmatured debt. The following is a breakdown of the debenture liability, with comparable balances for the preceding year:

	March 31, 1976 \$	March 31, 1975 \$
DEBENTURES AND NOTES OUTSTANDING AND HELD BY:		
Government of Canada		
—Canada Pension Plan	5,189,565,000	4,405,481,000
—Municipal Works	67,602,047	72,083,638
—Waste Control (CMHC)	63,175,202	40,655,083
—Special Development Loans	4,249,094	4,544,579
—Employment Loans	16,820,322	17,424,519
—Winter Capital Works	83,152,272	18,971,262
Teachers' Superannuation Fund	1,674,800,000	1,477,300,000
Ontario Municipal Employees Retirement Fund	809,275,000	641,125,000
Public—issued on behalf of Ontario Hydro	2,239,952,000	1,710,294,000
—issued on behalf of the Province of Ontario	1,584,242,883	1,166,066,871
	<u>11,732,833,820</u>	<u>9,553,945,952</u>

The total debenture liability at March 31, 1976 was payable in the following currencies:

	\$
Canadian Dollars	9,330,255,665
United States Dollars	2,262,981,000
West German Deutsche Marks	56,444,883
	<u>11,649,681,548</u>

The debenture indebtedness payable in United States dollars is recorded in Canadian funds at par. Of the debentures payable in United States dollars \$2,239,952,000 was with respect to debentures issued by the Province for the purpose of advancing funds to Ontario Hydro. For related asset see section 16.

The balance of the indebtedness payable in United States dollars was

\$23,029,000. At March 31, 1976 the Canadian dollar equivalent of this liability was \$22,665,142.

The debenture indebtedness payable in West German deutsche marks is recorded in Canadian funds at the rate of exchange in effect at the time of debenture issue. At March 31, 1976 Treasury officials calculated the Canadian dollar equivalent of the liability payable in deutsche marks at \$76,750,330, or \$20,305,447 more than the recorded liability of \$56,444,883.

28. Contingent Liabilities. Contingent liabilities totalled \$5,027,075,146 at March 31, 1976. Details of contingent liabilities are shown in Volume 1 of the 1975-76 Public Accounts, pages 41-43.

COMMENTS ON THE CONSOLIDATED REVENUE FUND

29. Introductory Comments. The Statement of Consolidated Revenue Fund for the fiscal year ended March 31, 1976, and the related Statement of Revenue and Statement of Budgetary Expenditure, are contained in Volume 1 of the Public Accounts and are reproduced as Exhibits 1, 3 and 4 to this Report.

The content of the Statement of Consolidated Revenue Fund may be summarized as follows:

	1975-76 \$	1974-75 \$
Source of Funds		
Debt Transactions: proceeds less repayments	2,503,326,094	1,179,097,846
Application of Funds		
Budgetary Transactions: deficit	1,479,974,649	546,560,736
Non-Budgetary Transactions: deficit	848,611,098	758,522,760
	<u>2,328,585,747</u>	<u>1,305,083,496</u>
Increase (Decrease) in Consolidated Revenue Fund	174,740,347	(125,985,650)
Consolidated Revenue Fund: beginning of year	856,301,037	982,286,687
Consolidated Revenue Fund: end of year	<u>1,031,041,384</u>	<u>856,301,037</u>

30. Payments into the Consolidated Revenue Fund. These payments are classified as Revenue (Budgetary Transactions), Receipts and Credits (Non-Budgetary Transactions) and Proceeds of Loans (Debt Transactions). Revenue consists of moneys raised through taxation, premiums, fees, licences and permits, payments from the federal government under cost-shared programs and income from investments. Receipts are repayments received relative to the investment activities (loans, advances, etc.) of the Province, while Credits are moneys received for allocation to the pension fund, deposit, trust and reserve account liabilities of the Province. Proceeds of Loans represent the moneys received from Provincial debenture issues and other borrowings.

A summary of payments into the Consolidated Revenue Fund by classification is as follows:

<i>Payments re</i>	1975-76 \$	1974-75 \$
Revenue	9,152,266,682	8,275,048,981
Receipts and Credits	555,822,030	724,423,677
Proceeds of Loans	<u>2,586,160,341</u>	<u>1,538,822,283</u>
	<u>12,294,249,053</u>	<u>10,538,294,941</u>

31. Summary of Revenue by Source. For reference purposes the following compares, by source, the Revenue for the 1975-76 fiscal year with that for the 1974-75 fiscal year:

	1975-76 \$	1974-75 \$	Increase (Decrease) \$
Taxation	5,205,178,671	4,953,315,976	251,862,695
Government of Canada:			
Reimbursements of expenditure and other	1,929,553,549	1,516,919,414	412,634,135
Premiums	572,521,648	548,095,482	24,426,166
Interest on loans, advances and investments	533,026,465	455,128,405	77,898,060
Profits from Crown Corporations and Boards	375,500,000	301,650,000	73,850,000
Fees, licences and permits	327,791,758	279,085,252	48,706,506
Fines and penalties	46,504,400	42,209,566	4,294,834
Royalties	40,031,204	35,617,378	4,413,826
Utility service charges	32,421,830	25,921,044	6,500,786
Recovery of prior years' expenditure	24,159,453	10,830,820	13,328,633
Facilities	21,360,885	18,294,677	3,066,208
Reimbursements of expenditure	20,161,709	19,250,582	911,127
Sales—land and buildings	7,742,180	58,320,831	(50,578,651)
Sales—other	7,418,452	6,765,768	652,684
Public domain	2,599,868	2,502,945	96,923
Miscellaneous	6,294,610	1,140,841	5,153,769
	9,152,266,682	8,275,048,981	877,217,701

32. Taxation. Tax revenue of \$5,205,178,671 accounted for 56.9 per cent of the total revenue for the year. A breakdown by principal tax source is as follows:

	1975-76 \$	1974-75 \$
Personal income tax	1,571,155,810	1,445,552,199
Retail sales tax	1,327,637,412	1,568,828,591
Corporations tax	1,140,039,319	891,907,759
Gasoline tax	505,098,008	493,090,700
Other	661,248,122	553,936,727
	5,205,178,671	4,953,315,976

33. Government of Canada—Reimbursements of Expenditure and Other. The major portion of this source of revenue consisted of recoveries of both current and prior years' expenditure made by the Province under cost-sharing projects with the Government of Canada. The main items of recovery for the year from the Government of Canada were under the Hospital Insurance and Diagnostic Services Act, \$848.6 million, the Canada Assistance Plan, \$443.9 million, and the Medical Care Act, \$287.6 million.

34. Premiums. This revenue consisted of premiums received under the Ontario Health Insurance Plan.

35. Interest on Loans, Advances and Investments. Interest on advances to Ontario Hydro amounted to \$142.4 million and contributed \$44.8 million to the increase of \$77.9 million in revenue over the preceding year. Interest on advances to The Ontario Education Capital Aid Corporation and The Ontario Universities Capital Aid Corporation contributed \$84.6 million and \$84.4 million, respectively, to interest revenue for the year. To a large extent the funds for these latter

two items were provided out of the expenditure appropriations of the Province, as explained in section 17. Interest on Time Deposits amounted to \$51.2 million for the year.

36. Profits from Crown Corporations and Boards. Revenue transferred to the Consolidated Revenue Fund during the year from the profits of the Liquor Control Board of Ontario amounted to \$333.5 million.

Ontario Lottery proceeds paid into the Consolidated Revenue Fund in accordance with section 9 of The Ontario Lottery Corporation Act, 1974 totalled \$42 million. Section 9 of the Act further provides that such profits "be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor". During the year ended March 31, 1976, payments by the Ministry of Culture and Recreation in the form of grants for projects, facilities and events amounted to \$3.4 million. See statement of "Ontario Lottery Proceeds" on page 49 of Volume 1 of the 1975-76 Public Accounts.

37. Fees, Licences and Permits. Vehicle, driver and other fees, licences and permits of the Ministry of Transportation and Communications amounted to \$248.4 million, and accounted for 75.8 per cent of the total revenue in this category.

38. Fines and Penalties. This revenue source consisted mainly of fines and penalties levied by the Criminal Division of Provincial Courts. These totalled \$44.8 million for the year.

39. Royalties. Revenue under this heading included timber stumpage charges, \$23.5 million, charges for water power used in generating energy, \$12.7 million, and timber management and forest protection charges, \$2.6 million.

40. Utility Service Charges. This category represented payments received by the Ministry of the Environment from municipalities and others with respect to the operation of water treatment and waste control facilities.

41. Recovery of Prior Years' Expenditure. This category consisted of all recoveries of prior years' expenditure with the exception of recoveries related to prior years' expenditure made by the Province on behalf of others. The increase of \$13.3 million in revenue over the preceding year was accounted for mainly by a change in accounting procedure whereby hospital and medical subrogation recoveries of \$9.8 million under the Ontario Health Insurance Plan were recorded as revenue rather than as refunds of current expenditure in the statement of expenditure as had been the practice in prior years.

42. Facilities. Revenue under this heading included patients' and other maintenance, \$10.9 million, service centre rentals, \$3.7 million, and property rentals, \$2.1 million.

43. Reimbursements of Expenditure. This revenue source consisted of recoveries of both current and prior years' expenditure made by the Province on behalf of others, excluding the Government of Canada. Included was \$4 million recovered by the Ministry of Community and Social Services through court maintenance orders. In previous years, these moneys had been recorded as a refund of current year expenditure in the Ministry's statement of expenditure.

44. Sales—Land and Buildings. Revenue from the sale of surplus land and buildings has been shown under this heading. The total of this category was considerably less in 1975-76 since in the prior year revenue included proceeds from sales to the Ontario Land Corporation in the amount of \$54.2 million.

45. Sales—Other. Industrial sales by correctional institutions of \$1.9 million, and sales of souvenirs and merchandise of \$1.5 million by the Ministry of Natural Resources were the principal items included in this category.

46. Public Domain. This revenue was derived from the leasing and licensing of Crown lands, gas and mining leases, etc.

47. Miscellaneous. Revenue included under this heading consisted of items that did not conform to the criteria requirements for inclusion under any of the other categories. The principal items contributing to an increase of \$5.1 million in this category over 1974-75 were the closing out of the unclaimed vacation-with-pay trust account, \$2.3 million, and the excess of recoveries over expenditures for computer services supplied by the Ministry of Government Services, \$1.5 million.

The miscellaneous revenue category included an amount of \$59,718 shown in the revenue statement of the Ministry of Transportation and Communications, page 386 of Volume 1 of the Public Accounts, and identified as "Federal Sales Tax collections to be remitted". This item was a liability of the Province at March 31, 1976 and should have been reflected as such, rather than as revenue, in the 1975-76 Public Accounts.

48. Receipts and Credits. Receipts and Credits totalling \$555,822,030 for the 1975-76 fiscal year are shown on pages 14-15 and 18-20 of Volume 1 of the Public Accounts. Comments with respect to many of the receipt and credit items are contained in the Comments on Assets and Liabilities sections (13-28) of this Report.

49. Proceeds of Loans. Proceeds of loans totalling \$2,586,160,341 for the 1975-76 fiscal year are shown on pages 24-25 of Volume 1 of the Public Accounts. These moneys resulted mainly from the issue of straight term and serial Ontario debentures maturing in the years 1995 to 2016.

50. Payments out of the Consolidated Revenue Fund. These payments are of

two major types: those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as The Supply Act, may be augmented by Management Board Orders. The nature of Management Board Orders is more fully explained in section 127.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 128.

Voted Appropriations are classified as either Expenditure (Budgetary Transactions) or Disbursements and Charges (Non-Budgetary Transactions). Expenditure relates to operational activities and includes payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts.

Statutory Appropriations are also classified as Expenditure and as Disbursements and Charges. An additional classification is Repayments of Loans. These payments are in respect of the debt obligations of the Province.

Special Warrants, like Voted Appropriations, are classified as either Expenditure or Disbursements and Charges.

A summary of the payments out of the Consolidated Revenue Fund by type and classification is as follows:

<i>Payments re</i>	<i>1975-76</i> \$	<i>1974-75</i> \$
Voted Appropriations:		
Per Legislative Assembly		
Expenditure	9,388,023,659	7,850,628,349
Disbursements and Charges	467,449,269	417,985,421
	<u>9,855,472,928</u>	<u>8,268,613,770</u>
Per Management Board Orders		
Expenditure	254,487,787	198,441,277
Disbursements and Charges	10,542,096	13,826,000
	<u>265,029,883</u>	<u>212,267,277</u>
Total Voted Appropriations	<u>10,120,502,811</u>	<u>8,480,881,047</u>
Statutory Appropriations:		
Expenditure	989,636,935	772,540,091
Disbursements and Charges	926,441,763	1,051,135,016
Repayments of Loans	82,834,247	359,724,437
Total Statutory Appropriations	<u>1,998,912,945</u>	<u>2,183,399,544</u>
Special Warrants:		
Expenditure	92,950	
Disbursements and Charges		
Total Special Warrants	<u>92,950</u>	
Total Payments	<u>12,119,508,706</u>	<u>10,664,280,591</u>

51. Incidence of Statutory Appropriations. During the year 1975-76 payments relative to Statutory Appropriations constituted approximately 16.5 per cent of the total payments out of the Consolidated Revenue Fund. Comparative percentages for the 1974-75 and 1973-74 years were 20.4 and 17.6 respectively.

The 1975-76 statutory payment activity is summarized in Exhibit 7. As was indicated in last year's Report (section 51), in our opinion many of the payments therein could be brought under the annual control of the Legislative Assembly and related to Voted Appropriations rather than Statutory Appropriations. Precedent for such action has already been established. For example, disbursements under The Ontario Housing Corporation Act, shown as \$56,047,319 on page 139 of Volume 1 of the 1975-76 Public Accounts, could be classified as statutory under the provisions of The Ontario Housing Corporation Act. Instead, however, they were paid out of funds appropriated by the Legislature.

Similar action could be taken with respect to many other payments classified as statutory. For example, disbursements to The Ontario Education Capital Aid Corporation, The Ontario Universities Capital Aid Corporation and The Ontario Municipal Improvement Corporation for development loan activity could, we feel, be voted by the Legislature as could disbursements to Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation for term loan activity. In 1975-76 disbursements for development loan activity and for term loan activity totalled \$148,561,630 and \$50,748,424 respectively.

52. Comparison of Authorized and Actual Payments—Voted Appropriations. This comparison for the fiscal year ended March 31, 1976 is as follows:

	Authorized \$	Actual \$	Actual Under (Over) Authorized \$
Voted Appropriations			
Per Legislative Assembly			
Expenditure	9,630,514,600	9,388,023,659	242,490,941
Disbursements and Charges	522,763,400	467,449,269	55,314,131
	10,153,278,000	9,855,472,928	297,805,072
Per Management Board Orders			
Expenditure	279,055,005	254,487,787	24,567,218
Disbursements and Charges	10,850,000	10,542,096	307,904
	289,905,005	265,029,883	24,875,122
Total Voted Appropriations	10,443,183,005	10,120,502,811	322,680,194

It will be noted that the amount of \$10,153,278,000 appropriated by the Legislative Assembly in itself exceeded the total actual payments of \$10,120,502,811. This excess was in the amount of \$32,775,189. Where individual votes and items were of insufficient amount, funds in excess of those authorized by the Legislative Assembly were made available under the authority of Management Board Orders.

53. Expenditure. Expenditure may be summarized as follows:

<i>Expenditure re</i>	<i>1975-76</i> \$	<i>1974-75</i> \$
Voted Appropriations:		
Per Legislative Assembly	9,388,023,659	7,850,628,349
Per Management Board Orders	254,487,787	198,441,277
	<u>9,642,511,446</u>	<u>8,049,069,626</u>
Statutory Appropriations	989,636,935	772,540,091
Special Warrants	92,950	
Total Expenditure	<u>10,632,241,331</u>	<u>8,821,609,717</u>

54. Summary of Expenditure by Ministry. The following summary compares, by Ministry, the Expenditure for the 1975-76 fiscal year with that for the 1974-75 fiscal year. The Expenditure for 1974-75 has been restated, where necessary, to reflect the 1975-76 transfer of functions between Ministries.

By way of additional information, a monthly breakdown of expenditure by Ministry is presented as Exhibit 5 to this Report.

<i>Ministry</i>	<i>1975-76</i> \$	<i>1974-75</i> \$	<i>Increase (Decrease)</i> \$
Office of the Lieutenant Governor	93,092	63,119	29,973
Office of the Assembly	30,090,520	8,155,940	21,934,580
Office of the Premier	1,365,052	1,270,972	94,080
Cabinet Office	1,179,940	1,212,824	(32,884)
Management Board of Cabinet	7,507,287	6,659,027	848,260
Office of Provincial Auditor	1,544,261	1,335,318	208,943
Office of the Ombudsman	1,297,044	—	1,297,044
Government Services	288,388,813	269,238,043	19,150,770
Housing	191,730,424	70,616,684	121,113,740
Revenue	172,995,073	122,988,643	50,006,430
Treasury, Economics and Intergovernmental Affairs	1,289,875,097	1,034,908,966	254,966,131
Justice Policy	353,200	291,623	61,577
Attorney General	100,491,692	85,324,537	15,167,155
Consumer and Commercial Relations	43,337,457	35,056,222	8,281,235
Correctional Services	122,338,819	102,324,844	20,013,975
Solicitor General	128,018,608	105,480,297	22,538,311
Resources Development Policy	1,290,629	531,715	758,914
Agriculture and Food	151,787,711	112,763,448	39,024,263
Energy	3,480,519	2,462,024	1,018,495
Environment	82,956,640	57,741,592	25,215,048
Industry and Tourism	50,151,057	36,794,479	13,356,578
Labour	16,609,626	14,183,339	2,426,287
Natural Resources	207,981,417	184,692,338	23,289,079
Transportation and Communications	964,207,211	811,719,954	152,487,257
Social Development Policy	1,490,842	1,266,654	224,188
Colleges and Universities	1,019,134,305	878,386,059	140,748,246
Community and Social Services	881,473,684	674,094,578	207,379,106
Culture and Recreation	108,855,803	74,268,167	34,587,636
Education	1,775,659,142	1,598,379,101	177,280,041
Health	2,986,556,366	2,529,399,210	457,157,156
	<u>10,632,241,331</u>	<u>8,821,609,717</u>	<u>1,810,631,614</u>

55. Office of the Lieutenant Governor . . . Office of the Ombudsman. Salaries and Wages and Employee Benefits constituted the main expenditure for the Office of the Lieutenant Governor, Office of the Premier, Cabinet Office,

Management Board of Cabinet and Office of Provincial Auditor.

Expenditure under The Election Act, \$10.8 million, contribution to the Legislative Assembly Retirement Allowances Account, \$7.9 million, and expenditure by the Commission on Election Contributions and Expenses, \$1.6 million, contributed to the increase in expenditure of \$21.9 million over that of the previous year for the Office of the Assembly.

56. Government Services. The Provision of Accommodation Program was the major expenditure of the Ministry. This program provided accommodation for ministries and agencies of the Ontario Government. Expenditure on the program totalled \$170.7 million for 1975-76.

57. Housing. The main areas of expenditure for the year were the Home Buyers Grant Program, \$85.6 million, and the Housing Development Program, \$62.2 million. The Home Buyers Grant Program, new in 1975-76, was introduced to provide grants to first-time buyers of new and existing housing to facilitate home ownership, and contributed to the substantial increase in the Ministry's 1975-76 expenditure over that of the previous year. Expenditure for the Home Buyers Grant Program was recorded by the Ministry of Housing while the administration of the Program was handled by the Ministry of Revenue.

58. Revenue. An increase in expenditure of \$44.6 million under the Guaranteed Income and Tax Credit Program accounted for most of the \$50 million increase in the Ministry's 1975-76 expenditure. This program included payments to provide a basic level of income security for senior citizens resident in Ontario.

59. Treasury, Economics and Intergovernmental Affairs. Public Debt interest payments on securities issued and other borrowings constituted the principal component of expenditure and amounted to \$866.7 million in 1975-76. This was an increase of \$178.5 million over the previous year which, together with increases in grants and payments under the Tax Reform Program of \$50.1 million and in expenditure under the Urban and Regional Affairs Program of \$28.5 million, accounted for the major portion of the Ministry's total net increase for the year.

60. Justice Policy. Increases in expenditure on Salaries and Wages and on Services accounted for most of the increase in Ministry expenditure from that of the previous year.

61. Attorney General. The Courts Administration Program, which provided for the management of civil and criminal courts in Ontario, expended a total of \$54.6 million during 1975-76. This was 54 per cent of the Ministry's expenditure for the year and accounted for \$8.5 million of the increase in expenditure over that of the preceding year.

62. Consumer and Commercial Relations. The Commercial Standards Program and Property Rights Program were the main areas of expenditure, totalling \$10.8 million and \$13 million, respectively, for 1975-76. The Commercial Standards Program consisted of activities that provided for the regulation of financial and commercial affairs. The Property Rights Program involved the registration of interests in real property and other related activities.

The Liquor Licence Program with expenditure of \$1.3 million, and the Rent Review Program with expenditure of \$2.3 million were Statutory programs introduced in 1975-76. The Liquor Licence Act, 1975, section 2(9), provided that the moneys required for the Liquor Licence Board be paid out of the Consolidated Revenue Fund until April 1, 1976. The administration of The Residential Premises Rent Review Act, 1975, which was the Statutory authority for the Rent Review Program, was transferred from the Minister of Housing to the Minister of Consumer and Commercial Relations, effective February 2, 1976 under authority of Order in Council 294/76. All of the 1975-76 expenses of the program have been included in the expenditure of the Ministry of Consumer and Commercial Relations.

63. Correctional Services. The main areas of expenditure for the year were the programs for the Rehabilitation of Adult Offenders, \$80.5 million, and for the Rehabilitation of Juveniles, \$34.5 million. These programs accounted for \$18.9 million of the \$20 million increase for the year.

These programs consisted of activities supplying administrative, care, treatment and training services for the rehabilitation of adult offenders and juveniles.

64. Solicitor General. The Ministry's Ontario Provincial Police programs of Criminal and General Law Enforcement and Traffic Law Enforcement had expenditure of \$57.2 million and \$50.1 million, respectively, for 1975-76. These programs accounted for \$19.6 million of the \$22.5 million increase in the Ministry's expenditure over the preceding year.

65. Resources Development Policy. Expenditure for the Commission on Hydro Long Range Planning accounted for most of the increase in expenditure over that of the preceding year.

66. Agriculture and Food. Transfer payments totalled \$95.7 million, an increase of \$31.6 million over the previous year. The transfer payments included \$32.5 million under the Farm Tax Reduction Program, \$24 million for Farm Income Stabilization, and \$15 million in Grants for Capital Purposes in Farm Development.

67. Energy. The main areas of expenditure were Salaries and Wages and Services which, in aggregate, accounted for most of the increase in expenditure for the year.

68. Environment. Expenditure on the Environmental Control Program totalled \$52.4 million, and accounted for most of the net increase in the Ministry's expenditure over the previous year.

The objects of the Environmental Control Program were to ensure that all contaminants emitted into the environment were within Ministry standards, to encourage the installation of pollution abatement equipment, and to provide for the development and management of sewage and water treatment plants.

69. Industry and Tourism. An increase of \$3.8 million in loan forgiveness and guarantees and the write-off of Term Loans in the amount of \$9 million under the Industrial Incentives and Development Program, accounted for \$12.8 million of the net increase in expenditure by the Ministry over the preceding year.

The Public Accounts Statement of Expenditure for the Ministry indicates a credit balance of \$24,579 for supplies and equipment in Vote 2007-2, Administration Program, Financial and Office Services.

We understand that the Ministry has in some instances temporarily accumulated expenditure in certain standard account classifications pending the recovery of such costs from other Ministries and branches. Some imprecision in the allocation of the recovered expenditure resulted in the above-mentioned credit balance.

70. Labour. Salaries and Wages constituted the main expenditure and accounted for most of the aggregate net increase in expenditure by the Ministry over the preceding year.

71. Natural Resources. Salaries and Wages were the principal type of expenditure and accounted for most of the aggregate net increase in the Ministry's expenditure for the year.

72. Transportation and Communications. The principal areas of expenditure in 1975-76 were the Provincial Roads Program, \$435.3 million, the Municipal Roads Program, \$288.2 million, and the Municipal Transit Program, \$139.8 million. These programs included construction and maintenance of the Provincial road network and assistance to municipalities for municipal roads and urban transit systems.

Transfer payments to municipalities and others amounted to \$466.8 million, an increase of \$130.4 million over the preceding year.

The Public Accounts Statement of Expenditure for the Ministry indicates a credit balance of \$7,824 for services in Vote 2306-3, Air Program, Maintenance.

We understand that, for recording convenience, the Ministry has in some in-

stances temporarily accumulated expenditure in certain standard account classifications. Periodically an accounting determination is made and such expenditure is re-allocated to other standard account classifications. Some imprecision in this re-allocation resulted in the above-mentioned credit balance.

We are advised that the Ministry will be altering its recording practices to preclude similar occurrences in the future.

73. Social Development Policy. Salaries and Wages and Employee Benefits represented 53.3 per cent of the expenditure for the year and accounted for most of the increase in expenditure over that of the previous year.

74. Colleges and Universities. Transfer payments totalled \$1,005.3 million and represented 98.6 per cent of the Ministry's expenditure which was concentrated mainly in the University Support Program and the Colleges and Adult Education Support Program. Grants for Universities and related organizations amounted to \$650.1 million, while grants for Colleges of Applied Arts and Technology and other organizations amounted to \$301.1 million.

75. Community and Social Services. Transfer payments amounted to \$732.2 million in 1975-76 and accounted for most of the net aggregate increase in the Ministry's expenditure over that of the preceding year. Transfer payments under the Income Maintenance Program totalled \$470.5 million and under the Social and Institutional Services Program, \$243.4 million.

76. Culture and Recreation. Transfer payments totalled \$84 million and constituted 77.1 per cent of the Ministry's expenditure in 1975-76. The principal area of expenditure was under the Arts Support Program which provided support for cultural activities, agencies and institutions. Transfer payments under this program amounted to \$35 million.

77. Education. The School Business and Finance activity under the Education Development and Administration Program again was the main area of expenditure, and accounted for \$1,576 million of the total expenditure of \$1,775.6 million for the year.

Transfer payments, which represented 96.6 per cent of the Ministry's expenditure in 1975-76, included an increase of \$244.2 million in General Legislative Grants.

The Public Accounts Statement of Expenditure for the Ministry indicates a credit balance of \$9,143 for supplies and equipment in Vote 2801-9, Ministry Administration Program, Management Services. We understand that, for recording convenience, the Ministry has in some instances temporarily accumulated expenditure in certain standard account classifications. Periodically an accounting determination is made and such expenditure is re-allocated to other standard account

classifications. Some imprecision in this re-allocation resulted in the above-mentioned credit balance.

The Ministry's expenditure of \$1,775.6 million was 16.7 per cent of the total expenditure of the Province for the year.

Expenditure on education by both the Ministry of Education and the Ministry of Colleges and Universities amounted to \$2,794.8 million, or 26.3 per cent of the total expenditure of the Province for the year. The comparable figures for the preceding year, as restated, were \$2,476.7 million and 28.1 per cent.

78. Health. The Treatment and Rehabilitation Program accounted for \$2,855.2 million of the total expenditure of \$2,986.5 million. Expenditure under this program included \$1,600.7 million for the operation of hospitals and related facilities and \$742.1 million for care provided by physicians and practitioners under the Ontario Health Insurance Plan. These payments increased by \$228.1 million and \$92.4 million respectively in 1975-76, accounting for 70.1 per cent of the increase in the Ministry's expenditure for the year.

The Ministry's expenditure of \$2,986.5 million was 28.1 per cent of the total expenditure of the Province for the year. Comparable figures for the preceding year, as restated, were \$2,529.4 million and 28.7 per cent.

79. Disbursements and Charges. Disbursements and Charges may be summarized as follows:

<i>Disbursements and Charges re</i>	<i>1975-76</i>	<i>1974-75</i>
	\$	\$
Voted Appropriations		
Per Legislative Assembly	467,449,269	417,985,421
Per Management Board Orders	10,542,096	13,826,000
	477,991,365	431,811,421
Statutory Appropriations	926,441,763	1,051,135,016
	1,404,433,128	1,482,946,437

Details of Disbursements and Charges are shown on pages 16-17 and 21-23 of Volume 1 of the 1975-76 Public Accounts. Comments with respect to many of the disbursement and charge items are contained in the Comments on Assets and Liabilities sections (13-28) of this Report.

80. Repayments of Loans. Repayments of loans totalling \$82,834,247 for the 1975-76 fiscal year are shown on pages 26-27 of Volume 1 of the Public Accounts. These repayments relate to the redemption of Ontario debentures.

COMMENTS ON REVENUE AND EXPENDITURE TRANSACTIONS

81. Introductory Comments. Most of the comments contained in this segment of the Report relate to Revenue and Expenditure transactions. Some, however, are relevant to other types of payments into, and payments out of, the Consolidated Revenue Fund which are described in sections 30 and 50—Receipts and Credits, Disbursements and Charges, etc. The caption, "Comments on Revenue and Expenditure Transactions" has been selected for simplicity of reference. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 9. The audit of revenue and expenditure at the various Ministries and Institutions included a general review of accounting procedures and such tests of accounting records and other supporting evidence as were considered necessary in the circumstances.

82. Audit of Revenue. Our audit activity is mainly devoted to the verification of revenue transactions and the review of related internal controls. Considerable stress is placed on determining whether there is full compliance with existing Statutes and Regulations, and on the review of procedures established within each Ministry for the verification and reconciliation of its revenue.

During the year we continued our emphasis on the major revenue-producing areas of the Government. Taxation revenue, for example, amounted to over \$5.2 billion or 56.9 per cent of the total revenue for the year (see section 32). Accordingly, an audit team is located at the Ministry of Revenue to perform a continuous audit of taxation revenue. Similarly, our Office maintains a separate group of auditors whose function is the review of claims on the Government of Canada which arise from contributory or cost-sharing agreements and programs.

83. Audit of Expenditure. The audit of expenditure was conducted under the following main classifications—Transfer Payments; Acquisition/Construction of Physical Assets; and Administrative Expenditure. Under these classifications the expenditure for the year, as shown on page 56 of Volume 1 of the 1975-76 Public Accounts, may be summarized as follows:

	\$	%
Transfer Payments	7,608,278,159	71.6
Acquisition/Construction of Physical Assets	346,230,383	3.3
Administrative Expenditure		
Salaries and Wages	1,087,400,837	10.2
Other Transactions		
—includes public debt expenditure (interest on debentures, etc.) of \$866,747,645	934,804,983	8.8
Services	302,447,201	2.8
Supplies and Equipment	229,694,106	2.2
Employee Benefits	148,207,639	1.4
Transportation and Communication	78,449,277	.7
	10,735,512,585	
Less: Recoveries from other Activities, Ministries, etc.	103,271,254	(1.0)
	10,632,241,331	100.0

Audits undertaken by the Provincial Auditor are financially oriented, and are primarily concerned with accounting accuracy and compliance. Nevertheless, as the material contained in subsequent sections of this Report will indicate, we have not restricted our activities to a financial audit. It is important to note, however, that our non-financial or operational audit involvement is somewhat restricted in that 71.6 per cent of the Province's expenditure on budgetary transactions is in the form of transfer payments.

TRANSFER PAYMENTS represent expenditure made to individuals, organizations and other levels of government and for which the Ontario Government does not directly receive goods or services. Such expenditure is made in accordance with legislation or established Ministerial rules.

Our audit of transfer payments essentially concerns itself with the authorization, calculation and payment procedures in the Ministries, and involves, in particular, an assessment of the applicable legal and administrative framework. The disposition of funds received in the form of transfer payments is made by the recipient individual, organization or other government body. Therefore, in most cases, an assessment of relative economy, efficiency and effectiveness is considered beyond the purview of this Office.

Organizations and government bodies in receipt of transfer payments are usually subject to review by other auditors such as public accounting firms. Generally speaking, the paying Ministry, as a condition of payment, requires the recipient to periodically submit audited financial statements. In some cases, also, internal audit or similarly functioning groups within the Ministries may visit recipient organizations and government bodies for the purpose of reviewing their financial records.

In 1975-76 over \$5.4 billion, or more than 71 per cent of the total transfer payments, was expended by three Ministries. A summary of the payments by the three Ministries, including identification of major categories, is as follows:

MINISTRY	CATEGORY	AMOUNT \$
Colleges and Universities	Grants for Universities and Related Organizations	650,118,099
	Grants for Colleges of Applied Arts and Technology	301,175,767
	Other transfer payments	54,082,427
		<u>1,005,376,293</u>
Education	General Legislative Grants	1,574,827,526
	Payments to Teachers' Superannuation Commission, etc.	127,510,479
	Other transfer payments	13,818,281
		<u>1,716,156,286</u>
Health	Operation of hospitals and related facilities	1,600,728,787
	Payments re physicians' and practitioners' services under OHIP	742,107,172
	Other transfer payments	401,608,606
		<u>2,744,444,565</u>
Total		<u>5,465,977,144</u>

ACQUISITION/CONSTRUCTION OF PHYSICAL ASSETS includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. Also included in this category is the cost of acquisition of land. Our audit of acquisition/construction of physical assets includes the examination of relevant contract records, procedures for awarding contracts and purchasing procedures. Asset records of projects, both under construction and completed, are also examined.

As previously indicated in section 10, the acquisition/construction of physical assets account does not include the cost of work performed by the Province's own labour force which contributes to new capital formation such as new buildings, engineering structures, etc., nor does it include the cost of materials and services provided by the Province for use by contractors on new capital formation projects. These expenditures, which totalled in excess of \$82 million for the year ended March 31, 1976, were charged to the administrative expenditure category and were included in the appropriate accounts classification—salaries and wages, services, etc.

ADMINISTRATIVE EXPENDITURE, as indicated in the foregoing summary, is identified by sub-categories, the content of which is largely self-explanatory. However, a more detailed description of the type of expenditure included in each sub-category is contained on pages 7-8 of Volume 1 of the 1975-76 Public Accounts. Our audit of administrative expenditure includes an evaluation of the internal control over expenditure processing, and a review of inventory controls and purchasing procedures.

RECOVERIES FROM OTHER ACTIVITIES, MINISTRIES ETC., relate mainly to costs incurred on behalf of other Ministries by certain Ministries as, for example, by the Ministry of Government Services with respect to the provision of printing and stationery services. The incurring Ministry subsequently effects recovery by transferring the costs involved to the benefiting Ministry. For Public Accounts presentation purposes, these recoveries are not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

84. Audit Memoranda. Memoranda on the various audits and examinations performed during the year were submitted to the Deputy Minister of each Ministry concerned. Observations and comments were made on matters noted during the conduct of the audits. Included in the memoranda were recommendations and suggestions for improvement in internal controls and general efficiency of the accounting process. The Deputy Ministers were asked to review the memoranda and to forward their comments on our findings and recommendations. This procedure provides each Ministry with an opportunity to question the position taken by this Office or to initiate immediate corrective action.

Matters which were raised in memoranda covering these audits, and which, in our considered opinion, should be brought to the attention of the Legislative Assembly, are included in subsequent sections of this Report. Not all of the subsequent content is of a critical nature; many of our comments are for informative purposes only. For the most part the caption of the section will indicate whether the content is of a critical or informative nature.

Pertinent replies received from the Ministries to the time of completion of this Report have been included without further comment by this Office, but will be reviewed during subsequent audits of the respective Ministries.

85. Suggested Corrective Action and Other Recommendations Contained in the Provincial Auditor's Previous Reports. It is our practice to follow up on suggested corrective action and recommendations at the time of our next audit of the applicable revenue or expenditure area. The status of suggested corrective action and recommendations contained in our 1974-75 Report is indicated in Exhibit 11 to this Report.

86. Court Costs Paid but Not Remitted to the Province, Ministry of the Attorney General. In our 1974-75 Report (section 86) we made reference to a report of the Ministry's Management Audit Branch wherein it was indicated that a Windsor court did not differentiate between the original fine assessed and costs incurred on municipal by-law convictions. It was observed that as a result of the non-separation of fines and costs in this court, the municipalities were receiving the costs levied by the court in addition to the fines assessed under the municipal by-law.

The Ministry responded to this comment on July 11, 1975 and stated that:

"This same set of circumstances exists in Ottawa. Section 4 of The Administration of Justice Act, R.S.O. 1970, specifies that all such fines are payable to the Municipalities. We can find no authority which would enable the Ministry to instruct the courts otherwise."

A subsequent Management Audit Report dated September 9, 1975 indicated that this situation remained unchanged and suggested that a cost-sharing policy relative to municipal by-law penalties should be developed so that additional costs of processing by-law charges reflected in the increased penalties at the various stages might be recovered.

We are advised that costs relative to by-law convictions in the Provincial Courts at Toronto, Hamilton and London are paid in full or in part to Ontario. Some inconsistency is therefore evident respecting entitlement to costs in the case of municipal by-law infractions. We concur with the suggestion contained in the Management Audit Report, and feel the Ministry should take appropriate action.

The above comments were included in our memorandum dated April 14,

1976 to the Ministry. As at the date of this Report, September 30, 1976, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

87. Unpaid Fines Imposed by Provincial Courts, Ministry of the Attorney General. Further to comments contained in our 1974-75 Report (section 88), statistical records prepared by the Management Audit Branch from the monthly returns submitted by each court indicated that the total unpaid fines had increased from \$17,631,930 as at September 30, 1974 to \$22,057,422 as at November 30, 1975.

No comprehensive analysis of the unpaid fines has been made to determine the periods that the individual amounts have been outstanding since the Management Audit Branch issued a report on a survey of unpaid fines in July 1972. This report contained a statement that "the unpaid fines balances in all courts include a considerable volume of items over five years old on which efforts to locate the defendants have failed". These balances will now be approximately ten years old.

Following the prior audit we recommended that early consideration be given to a policy of writing off old fines which are deemed uncollectable due to various reasons such as death, non-residency, untraceable, etc. The Ministry responded to this recommendation on July 11, 1975 and stated, in part, that:

"This Ministry is currently considering a new policy setting out standards by which the non-collectability of unpaid fines can be judged (death, non-residency, etc.), and the degree of documentation deemed necessary to institute write-off."

As far as we could determine, this policy had not been established as at March 31, 1976.

In our prior audit memorandum to the Ministry we also commented that the unpaid fines balance as at the fiscal year-end was not reflected in the Accounts Receivable statement contained in Volume 1 of the Public Accounts of the Province. We recommended that this practice be changed. The Ministry did not accept this suggestion and stated:

"We do not agree with the auditor's remark concerning the reporting of unpaid fines as 'Accounts Receivable' in the Public Accounts of Ontario. These unpaid fines are not 'Debts due to the Crown' in the ordinary commercial sense since payment of same cannot be enforced by a writ of execution. We merely have the alternative of arresting the defendants and placing them in jail in accordance with the particular judgments."

We feel, however, that the Ministry should reconsider its position on this matter. Despite the fact that these amounts are not incurred in a commercial sense, they are, nevertheless, debts due to the Crown until such time as the defen-

dants are placed in jail, and as such, these amounts and all other balances due to the Ministry of the Attorney General should be reported to the Ministry of Treasury, Economics and Intergovernmental Affairs for inclusion in the Public Accounts of Ontario.

The preceding comments were included in our memorandum dated April 14, 1976. As at the date of this Report, September 30, 1976, no response had been received. We are, therefore, unable to present the Ministry's views in the matter.

88. Error in Accounting Records, Civil Service Commission. During our review of the accounting records of the Civil Service Commission we noted that a receipt of \$12,673 from a Ministry, relating to an expenditure recovery of Temporary Help Services, was recorded in error as a recovery of the Public Service Appeal Boards. The effect on the Public Accounts for 1974-75 was to understate by \$12,673 the Statement of Revenue, to which the excess of recoveries over expenditure had been transferred, and to understate by a like amount the expenditure of the Public Service Appeal Boards.

Had the above recovery been recorded correctly the expenditure of the Public Service Appeal Boards would have exceeded the appropriation (Vote 505-1) by \$10,233 for the 1974-75 fiscal year.

On August 13, 1976 the Civil Service Commission responded as follows:

"When the journal entry was being typed to effect the expenditure recovery, an error was made in the code of the activity which was to receive credit for the recovery. The error was not realized until after the accounts had been closed at the year end and, as a result, a reversal of the amount could not take place."

89. Questionable Need for a Management Board Order, Civil Service Commission. During our most recent review of the expenditure activities of the Civil Service Commission we noted that a Management Board Order was obtained on April 15, 1975 to increase the 1974-75 appropriation of \$248,700 for Personnel Information Services by \$20,000. The need for this authorization was somewhat questionable since funds unexpended for this item at the end of the fiscal year amounted to \$86,748.

The Chairman of the Civil Service Commission subsequently wrote to us as follows:

"On November 19, 1974, the Management Board approved the transfer to the Ministry of Government Services of responsibility for implementation of the I.P.P.E.B. system from the Personnel Information Services Activity with the understanding that there would be an underspending in this activity of \$72,800. Subsequently, there was some confusion about what invoices should be charged to what activity. And the budget analyst, in order to en-

sure an underspending of \$72,800 in the Personnel Information Services activity, felt obliged to obtain a Management Board Order of \$20,000. At the end of the fiscal year, the total expenditures for this activity were \$181,954 which exceeded the actual appropriation of \$175,900 (\$248,700 minus \$72,800) by \$6,054. Apparently, then, a Management Board Order was required if the underspending was to be realized in the appropriation; but, admittedly, it was approximately \$14,000 too much."

90. Improved Controls Recommended, Ontario Student Assistance Program, Ministry of Colleges and Universities. During the year ended March 31, 1976 expenditure with respect to the Ontario Student Assistance Program totalled \$49,117,077, and is reflected in Volume 1 of the 1975-76 Public Accounts, page 405.

The purpose of the Ontario Student Assistance Program is to maintain equality of educational opportunity. The present program is based on an assessment of financial need and consists of an \$800 federal loan awarded under the Canada Student Loan Plan, plus a provincial grant up to a maximum of \$3,200 per year. A loan of up to \$1,800 per year is permissible under the Canada Student Loan Plan; however, it has been the policy of the Ministry to limit the loan portion to \$800 and to pay all assistance in excess of that amount in the form of a provincial grant. We were advised that the Ministry will increase the loan portion from \$800 to \$1,000 for the 1976-77 year but that no change is contemplated in the amount of provincial grant.

Applications for student assistance are subject to review by the Verification Section of the Student Awards Branch. The report on the activities of the Verification Section for the year ended March 31, 1976 was received subsequent to the conclusion of the audit. The report indicated that the Verification Section had selected 8,208 cases for review. This total was in excess of 8 per cent of the approximately 102,000 applications submitted by students for assistance.

As at the date of the report by the Verification Section, the review had been completed on 7,361 of the cases selected. Results were categorized as "unsatisfactory" in 4,878 instances (66 per cent). The "unsatisfactory" cases were of two types, those resulting in an increase in loan and grant to the student totalling \$28,626 and those resulting in a recommendation for re-assessment totalling \$1,019,780. While cases recommended for re-assessment do not necessarily result in discovery of overpayments, it is our opinion that the proportion of unsatisfactory cases necessitates a more extensive review by the Verification Section.

The Standing Committee on Public Accounts has reviewed this program. In its Final Report dated February 1975, the Committee recommended that the verification processing of applications be intensified, and that the program have some penalties incorporated into it. This latter recommendation was again mentioned in the subsequent Committee's interim report dated July 10, 1975.

In our memorandum dated May 13, 1975 to the Ministry on the prior audit,

we commented upon the desirability and relative ease of comparing the estimated parental income of the applicant for one year with the actual income reported in the subsequent year's application form. Such a comparison is now being done by computer and major differences are listed on a Discrepancy Listing. However, it is understood that the Verification Section has not adjusted all grant payments as called for by the Listing. During our audit a test was made of the 1974 applications and we found that in approximately 25 per cent of the cases selected excessive amounts were paid. We feel that full advantage should be taken of this data.

When overpayment of a grant has been determined a notification is sent to Central Collection Services (CCS) of the Ministry of Government Services to commence collection procedures. If any subsequent grant is approved for a student who has been overpaid in the past, CCS notifies the Ministry of Colleges and Universities of any deduction to be made from the payment. We are advised that recommendation for reduction of grant payment is made only if no repayment at all is being received. We believe that it would be more practicable for the Ministry of Colleges and Universities to take action to reduce assistance payments to students in all cases of prior overpayment.

We noted that, from time to time, cheques are issued to applicants before the regular "cheque issuing run" is made by the computer. This method of issuing a cheque does not result in any entry on the master computer file. A subsequent Payment Adjustment form is required to update the file but no control was found to exist over the use of the forms to insure that one is issued for each one of these cheques. This means that control is lacking over the issue of cheques. We therefore recommended that a procedure be developed to insure that all student assistance cheques are automatically recorded on the master file at time of issue.

In addition to Student Assistance grants, other awards, bursaries and fellowships are paid by the Ministry. In most instances, recipients of the other awards are not eligible for Student Assistance. However, a number of instances were noted in which payments of awards as well as Student Assistance were made to the same student. The amounts already received for a year should be taken into account in arriving at the amount of the grant for the same year. This data could be readily provided by computer if all award, bursary, fellowship and grant payments to students were recorded on the appropriate master file. We felt that consideration should be given to instituting this procedure.

The Ministry replied to the foregoing observations on August 11, 1976 and commented as follows:

Verification of Student Assistance

"Your recommendations regarding the Verification Section of the Student Awards Branch suggest that the verification process be intensified, and reassessments be made on those applications which are listed on the discrepancy listing.

“While it is agreed that increased verification of student assistance applications would result in additional funds being recovered, this would not be in direct proportion to our current recoveries due to the fact that third party and internal referrals give a much higher chance of possibility of error than does the random sample. Also, to accomplish this task additional staff would be required. With the Province’s present policy of constraints and staff cut-backs, it is most doubtful if such additional staff could be obtained.

“It should be noted that discussions have taken place between this Ministry and officials of the Canada Department of National Revenue to establish a procedure which would permit us to verify a larger number of applications with the current staff. To date however, the Department of National Revenue has not approved our suggested procedure. We will continue pressing for action in this regard as over ninety percent of the errors resulting in financial reassessment involve erroneous data on parental income.

“In commenting on the report of the Verification Section, over 12,000 additional cases were verified by the Assessment Section of the Student Awards Branch prior to computer processing. These cases involve students whose parents are self-employed and full documentation on such cases is required.

“As you are aware, we moved in 1975-76 to a system of basing awards on previous year’s income rather than current year’s estimate. We have ascertained that the average error in income when estimated income was used was \$1800 while under the new system it is only \$400. When expressed in terms of parental contribution, the effect of the latter on the assistance to the student is insignificant. Further, the change in the reporting of parental income has resulted in fewer cases being referred to the Section for verification.

“Your comments regarding the discrepancy listing are well taken. However, the change in criteria has resulted in this listing becoming redundant.

Penalties

“The matter of penalties has been referred to a special committee which is presently reviewing all aspects of the student assistance program. We feel that in order to ensure credibility in the Committee’s report, which is expected shortly, it is best that we refrain from making any statement that can be interpreted as Ministry policy.

Central Collection Services

“I cannot agree with your suggestion on the subject of reducing assistance payment to students who have made satisfactory arrangements with CCS to repay past grants. The present method of handling outstanding accounts is a fair one and it is in line with the basic policy of the program which is to make money available to needy students for educational purposes. To do otherwise could result in students having to drop out. As I have said previously the main reason for overpayments was the inability of parents to accurately es-

timate future income. In times of high inflation, this is extremely difficult. The overpayments were as a result of 'honest' errors. To penalize the student further when he has already begun repayment and is honouring his debt seems most iniquitous. Again, this should drop dramatically as a result of change in procedures.

Control over the Issuance of Cheques

"Your recommendation is well taken. A procedure for the control over the issuance of cheques before the regular 'cheque issuing run' is made, and the subsequent recording of these situations on the master file, is presently being developed.

Student Assistance Grants and Other Awards

"The system of placing recipients of OSAP grants and all other awards on the same master file had been requested. Unfortunately, the Ministry had relied on resources outside its control to implement such a check and had assumed it was in place. This proved, however, not to be the case. In the near future, we are hoping to do a complete study on the OSAP computer system with the intention of completely modifying it to meet the present and future needs of the student assistance program. At that time, this procedure will most definitely be considered for implementation."

91. Ineffectiveness of Planning and Statistical Systems, Ministry of Colleges and Universities. A decision to develop common planning and statistical systems at the colleges of applied arts and technology led to the selection, development and implementation of the Campus VIII and the Individual Specific File (ISF) systems. Following a trial period of one year, the systems were introduced to the twenty-two colleges of applied arts and technology in 1970.

The Campus VIII system comprises a set of computer programs designed to simulate academic institutional activities and to satisfy the planning informational needs of the colleges. To provide data for the Campus VIII system it was necessary to develop a method of statistical reporting at the college level. This was called the ISF system and entailed the collection of detailed information on each college structure, enrolments, staff, space, curricula, revenues and costs, along with the various college policies that governed them. With this data the Campus VIII system calculated the resource requirements, such as staff and space, their costs and the total revenue to be received by the college.

A supplier of computer services was hired to put the systems into effect. We were advised that only one supplier was considered in the selection process due to the belief that alternate capability was not available. As far as could be ascertained, the computer services provided by the supplier were not covered by any formal contract prior to the one covering the period April 1, 1972 to March 31, 1973. That contract, which was between the supplier and the Ontario Council of Regents for Colleges of Applied Arts and Technology, was not explicit with re-

spect to the tasks to be performed by the supplier, the per diem rates of staff to be used in these tasks, and the tariff structure for the data centre services.

The Campus/ISF system was subject to review by the Management Consulting Services Division, Ministry of Government Services in 1972 and again in 1974. In both instances issued reports expressed doubt as to the efficiency and effectiveness of the Campus/ISF system. Upon the recommendation of the Management Consulting Services Division a subsequent review was undertaken by a private sector consultant. This consultant observed, among other things, that:

“In our discussion with the Colleges it became evident that certain Colleges felt that there was insufficient work done to determine their planning information requirements and analyse the internal requirements of the Colleges prior to design and implementation of the systems now in use.”

and

“Many Colleges view Campus as an expensive management tool and too sophisticated for their requirements. After considering both the direct and indirect costs of the system, these same Colleges have difficulty in reconciling the benefits against the costs.”

and

“Campus is not meeting the objectives for which it was originally intended and cannot substitute for effective budgeting and planning processes which should be developed to meet the College and the Ministry requirements.”

The consultant made a number of recommendations including the following:

- (a) “The Ministry and Colleges to review jointly the proposed framework for College planning (as described in this report) and agree upon processes and the definitions of information elements for planning.”
- (b) “Mandatory use by the College of the Campus VIII model to be discontinued beginning with the 1976-77 planning cycle.”
- (c) “No investment in further development of the Campus VIII system to be made at this time.”
- (d) “New mechanisms to be designed to summarize all planning, budgeting and control information for the various user groups in the Ministry.”
- (e) “The Ministry to develop an in-house expertise in modelling capabilities with the emphasis being on models constructed for specific purposes to answer specific problems.”
- (f) “The Ministry to review and make improvements to the internal functions and responsibilities for the co-ordination of information requests made to the Colleges and the collection of planning, control and statistical data. These improvements should be accomplished with organiza-

tional changes including the formation of a staff group reporting directly to the Assistant Deputy Minister for College Affairs. This staff group should include persons recruited from the Colleges, possibly on a rotating basis."

The same supplier of computer services continued to operate the Campus/ISF system until August 31, 1975. The Ministry reported that the complete Campus VIII software was then transferred to a government computer in order to continue and improve the planning functions for the Colleges.

The costs to the Ministry from inception in 1969 to August 31, 1975 were estimated, from data available in the Ministry, to be as follows:

Payments to supplier of computer services	\$5,100,000
Payments of salaries at Ministry and Colleges	<u>3,900,000</u>
	<u>\$9,000,000</u>

The services of a private sector consultant were also utilized at a cost to the Ministry in excess of \$57,000. In addition, the services of the Management Consulting Services Division of the Ministry of Government Services were employed on two occasions, the total cost of which has not been estimated. A substantial amount has, therefore, been expended on a system which was described by a private sector consultant as having failed to meet the objectives for which it was originally intended.

The Ministry replied to our observations on April 29, 1976. With regard to the comments and recommendations of the private sector consultant the Ministry commented as follows:

"These quotations from the consultant's report, when read in isolation, tend to over-emphasize the negative aspects of the development of a common planning and statistical system at the Colleges of Applied Arts and Technology. Positive quotations such as the following were omitted:

'The introduction of CAMPUS VIII as a tool for preparing multi-year plans encouraged the Colleges to implement a formalized planning process and the orderly collection of data from many sources. It has acted as a catalyst to involve many people in the planning process at several of the Colleges. The use of the CAMPUS VIII model has helped in the development of standard measurements and reports for purposes of cross-College comparisons.'

"There is no doubt that many difficulties were encountered by the Ministry and the Colleges in the development of a common planning and statistical system. However, it should be noted that the consultant makes no reference, for comparison's sake, to other college jurisdictions either in Canada or in the United States. Such comparisons would have put Ontario's effort in perspective by referencing the extraordinary difficulties encountered in imple-

menting province and state-wide planning and statistical systems in Canada and the United States. Such systems have been perceived as unnecessary interference by colleges, whilst being seen as very necessary for control and accountability by governments.

“The systems implemented in Ontario have provided the Ministry with an ever increasing amount of accurate and timely information on the 22 Colleges of Applied Arts and Technology. This information is key to the Ministry’s development and maintenance of full accountability.”

and

“All of the consultant’s recommendations were accepted and have either been implemented or are in the process of being implemented.”

On the subject of the cost of the Campus/ISF system the Ministry maintained that:

“The planning and statistical systems developed in Ontario were the first operationally successful systems implemented in a major North American educational jurisdiction. These systems evolved over a six-year period and will continue to evolve as they are adjusted to meet objectives. The system was developed in conjunction with the establishment of the Colleges of Applied Arts and Technology, again a successful forerunner in North America. The planning and statistical systems were essential for the development of common planning and statistics, which have in no small way contributed to the overall success of the Colleges.

“The decision to use this system, or any other system like it, was essential since data regarding performance must be collected both for future planning purposes and in order that actual performance can be measured against past objectives.

“The estimated capital and operating expenditures at these twenty-two colleges during the period of developing the system was \$1.1 billion. Nine million dollars represents 0.8% of 1.1 billion. To allocate less than one percent of total expenditures for control and monitoring is quite justifiable. The fact that this system was employed in preference to other systems has little or no bearing on the total cost.”

92. Misstatement of Accounts Receivable and Accounts Payable in 1974-75 Public Accounts, Ministry of Colleges and Universities. The accounts receivable records of the Ministry totalled \$5,867,778 as at March 31, 1975, and consisted of \$4,657,913 due from the Government of Canada with respect to various cost-sharing programs, \$1,082,998 arising from Ontario Student Awards overpayments, \$97,736 for miscellaneous services and \$29,131 representing the accounts receivable of The Centennial Centre of Science and Technology. This total, after a deduction of \$69,715 for doubtful accounts, was reflected as

\$5,798,063 on page 50 of the 1974-75 Public Accounts of Ontario and categorized as "cost-sharing projects with other governments".

It was subsequently ascertained that as at March 31, 1975, the Government of Canada had proposed a reduction of \$2,052,381 in the total claims outstanding under the Adult Occupational Training Agreement and had further proposed a counter claim of \$926,976 against the Ministry with respect to claims that had already been paid. These adjustments were not reflected in the schedules of accounts receivable or accounts payable at March 31, 1975 which were submitted to the Ministry of Treasury, Economics and Intergovernmental Affairs for inclusion in the 1974-75 Public Accounts of Ontario.

The Ministry responded and commented as follows:

"To use the word 'overpayments' when referring to that portion of the accounts receivable which relates to the Student Awards Program is misleading. Moneys become repayable under the Program because of several reasons with overpayments being one of them. Some other examples of significance are student withdrawals, and students changing course loads or course lengths. I think the proper term accounts receivable should be maintained.

"You contend that a 'proposed reduction of \$2,052,381' and a 'proposed' counter claim of \$926,976 should have been included in the 1974-75 Public Accounts of Ontario. Moreover, these are referred to as 'adjustments'.

"I disagree that they should be reflected in the Public Accounts, and I further disagree that they are 'adjustments'. It is our practice to record transactions of this nature only after they are finalized. Our experience has shown that the final amounts can vary considerably from those initially proposed. I should point out that the 'proposed' reduction and the 'proposed' counter claim are still unsettled. When they are finalized to the satisfaction of the Ministry and the Federal Government, we shall classify them as adjustments and make the necessary accounting entries in our records."

93. Venture Capital Program, Ministry of Colleges and Universities. The Ministry established a Venture Capital Program in the 1974-75 fiscal year under which young persons could receive interest-free loans, to a maximum of \$1,000 per venture, to own and operate their own summer business. These loans were repayable to the Ministry on completion of the venture with any profits derived from the operation accruing to the students concerned. No legislative authority for the issuance of such loans could be located.

Correspondence on file in the Ministry indicated that in the 1974-75 fiscal year over 300 applications were received for assistance under the program. Subsequently twenty-five applicants submitted a project for approval and of this number fifteen applicants received loans totalling \$12,900. The balances of three of these loans, amounting to \$635, had not been repaid by the required date, and

on March 24, 1975 the Ministry recommended that the outstanding balances of loans be written off or transferred to Central Collection Services of the Ministry of Government Services. No action had been taken in this regard and the balances remained outstanding at January 31, 1976.

A lesser response to this program was noted in the subsequent year. Information provided by the Ministry revealed that in the 1975-76 fiscal year only 180 applications were received under this program. Subsequently forty-six applicants submitted projects for approval and of this number thirty applicants received loans totalling \$26,410. As at the termination of the audit thirteen of the loan balances, amounting to \$10,802, had not been repaid to the Ministry. We recommended that these overdue accounts be transferred to Central Collection Services of the Ministry of Government Services for further attempts to effect settlement of the debts.

The Ministry subsequently advised that:

“The issuance of loans under the Venture Capital Program was specifically discussed by the Supply Committee of the Legislative Assembly of Ontario. This was taken as adequate authority under which to operate the program.”

and

“We have completed the transfer of the outstanding accounts to Central Collection Services.”

94. Administrative Weaknesses re Termination of Employees, Ministry of Community and Social Services. During our audit of the Ministry's administrative expenditure we made the following observations.

Utilization of employees' superannuation funds was necessary to recover salary overpayments of approximately \$5,100 and sick pay overpayments of approximately \$3,900 during the period under review. These overpayments were largely due to delays in reporting employment terminations at Mental Retardation Facilities. We recommended that prompt notification of terminations be stressed, and that particular care be taken at the point of distribution to insure that cheques are distributed only to employed persons.

An outstanding advance and a number of salary and sick leave credit overpayments in respect of employees who had terminated were recovered by reducing the accumulated income tax deductions of the employees concerned. This practice should be discontinued as income tax deductions accrue to Canada and should not be used to correct the Province's records.

On September 24, 1976 the Ministry replied as follows:

“The practice of recovering overpayments against employee's superannuation funds has been discontinued by the Ministry. First line supervisors in the Ministry have a significant responsibility for attendance reporting and

cheque distribution. Final cheques should not be released until the full attendance picture is known. Accounts Branch will issue a reminder to managers and supervisors on the importance of controls related to cheque distribution.

“It is not the Ministry’s policy to recover overpayments by reducing the accumulated income tax deductions of the employees concerned. However, there have been isolated instances where employees have, for various reasons overpaid their income tax and if there was an overpayment of salary, a tax adjustment was made to compensate for it. These were very isolated cases, however, and were done by mutual agreement. The Ministry staff concerned have since been instructed to discontinue using income tax deductions to recover overpayments.”

95. Overpayments of Allowances under The Family Benefits Act, Ministry of Community and Social Services. A review of Ministry financial records and Family Benefits case files indicated that the total amount outstanding resulting from overpayments of allowances under The Family Benefits Act amounted to approximately \$19,182,457 as at March 31, 1976. An analysis of the various categories of overpayments comprising this total is shown below.

Overpayments on Inactive Cases (Recorded)	\$ 8,630,500
Overpayments on Inactive Cases (Unrecorded)	2,881,353
Overpayments on Active Cases	6,179,442
Administrative Errors	857,313
Overpayments on Cases on Which Legal Action Is Contemplated	563,737
Overpayments Resulting from Cheque Replacements	70,112
	<u>\$19,182,457</u>

Overpayments on Inactive Cases (Recorded)

Overpayments on inactive cases consist of unrecovered portions of overpayments that occurred at the times that recipients were receiving benefits and which remained outstanding when payment of these benefits was terminated.

The overpayments listed in this category are recorded in the Accounts Branch of the Ministry and in the “Overpayment Recovery Follow-Up System” (O.R.F.U.S.) maintained on computerized records in the Provincial Benefits Branch.

Overpayments on Inactive Cases (Unrecorded)

During the course of the review it was noted that approximately 8,500 inactive case files, pertaining to recipients whose allowances had been suspended, were stored in a large vault on the premises occupied by the Provincial Benefits Branch. These files contained information relative to outstanding overpayments that had arisen through Administrative Errors, late actioning of Voluntary Withdrawal Notices and errors of omission and commission that had been made by the individual recipients before their allowances were suspended. It was subsequently ascertained that these overpayments were not reflected in the accounts receivable

records of the Ministry, and that the only information concerning such overpayments was contained in the respective case files and in a listing prepared by the Provincial Benefits Branch of the overpayments recorded in those files where the case file number ended in a terminal digit of 2 or 8. Thus, this listing included approximately 20 per cent of the files stored in this vault.

The total overpayments recorded in this listing amounted to \$576,270. If this 20 per cent sample was projected to 100 per cent, the overpayments recorded on all the files in the vault would total \$2,881,350. This projection can only indicate the approximate value of the overpayments, however, and should not be construed as representing the precise amount of overpayments due to the Ministry.

We felt that the files contained in the vault should be reviewed by Ministry personnel to verify the accuracy of the overpayments noted therein and that these balances should be incorporated into the accounts receivable records of the Ministry.

Overpayments on Active Cases

Overpayments of allowances to recipients currently receiving benefits are processed through a computerized system designated as the "Ontario Assistance Program" (ONTAP). Such overpayments are generally recovered by the Ministry through deductions from subsequent benefit allowances paid to the recipients concerned. As at March 31, 1976 the total overpayments recorded in the ONTAP system respecting 21,167 active cases amounted to \$6,179,442. It was noted that this total had increased by \$498,131 from the corresponding overpayment total of \$5,681,311 recorded at November 30, 1975 for 20,681 active cases.

Administrative Errors

Overpayments of allowances arise from time to time because administrative staff of the Ministry fail to give due consideration to all information on a particular Family Benefits file. Information of this nature could relate to changes in a recipient's income or accommodation expense, reduction in the number of dependants for whom the recipient is responsible or other matters that have a bearing on the amount of the allowance granted.

In those cases where overpayments of allowances arise because staff members do not give effect to such information when it is received, the overpayments are attributed to administrative errors and no attempt is made to recover the excess allowance from the recipients concerned. It was noted that The Family Benefits Act does not make any reference to administrative errors or provide for related overpayments to be set aside.

Details of administrative errors are contained in the pertinent recipients' files but the individual amounts of the overpayments are not reflected in the formal accounts receivable records of the Ministry. Under procedures established in March 1973, each section Manager is required to submit a monthly listing to the Assistant Director of the Provincial Benefits Branch itemizing the administrative errors

that occurred in the section during the month and listing the amounts of the overpayments that resulted from these administrative errors. The records of the Provincial Benefits Branch indicated that the total unrecovered administrative error overpayments arising in the period from March 1, 1973 to March 31, 1976 amounted to \$857,313. The administrative errors set aside prior to March 1, 1973 were not included in these records.

Overpayments on Cases on Which Legal Action Is Contemplated

The review of files in the Provincial Benefits Branch revealed that legal action was being considered with respect to approximately 107 recipients or former recipients of assistance who were deemed to have knowingly received Family Benefits Allowances to which they were not entitled. The total overpayments that have been established in this respect for 86 of these recipients amounted to \$563,737. The overpayments relating to the remaining 21 recipients had not been fully determined at the end of the audit review. Although details of these overpayments are contained in the individual case files of the recipients concerned, the Branch does not maintain a listing of the established overpayments or of the status and identification of case files on which legal action is contemplated.

During the review a number of case files were noted where allowances had been suspended in 1974 when legal action was considered; however, no subsequent action appeared to have been taken to bring the cases to a conclusion. Legal action against recipients of allowances is taken under The Criminal Code of Canada by law enforcement agencies acting on behalf of the Ministry rather than under section 14 of The Family Benefits Act. It was stated that this election had been made because an information laid under The Criminal Code of Canada is not subject to the time constraints which The Limitations Act imposes on an information laid under The Family Benefits Act.

We suggested that a special operating unit should be established within the Provincial Benefits Branch to detect and investigate offences under The Family Benefits Act and obtain legal advice relating thereto. Also, in our opinion, a central registry should be maintained for all files that may be considered for legal action which would provide full details of the individual matters under review and indicate the current status and final disposition of each case.

Consideration should also be given to having staff members lay an information under The Family Benefits Act in subsequent cases of this nature to determine if this procedure would result in a reduction in the time presently required to review the individual files, institute legal action and bring such cases before the courts.

Overpayments Resulting from Cheque Replacements

Each Regional Office of the Ministry has been issued with a quantity of sequentially numbered cheque forms and is empowered to replace a recipient's cheque that has been lost or undelivered. No replacement cheques are issued,

however, with respect to cheques that have been endorsed by the recipient and subsequently lost.

Records maintained by the Accounts Branch of the Ministry in this respect indicated that the disposition of 683 allowance cheques totalling \$184,662, that had been replaced from various dates in the 1973 calendar year to March 31, 1976, had not been finalized as of May 31, 1976. It would appear that, of this total, the value of 284 cheques amounting to \$70,112 will have to be written off or set up as overpayments to the recipients concerned since the related transactions occurred at least six months prior to March 31, 1976. The six months time frame is the maximum allowable by the Ministry of Treasury, Economics and Intergovernmental Affairs to obtain reimbursement from a depository for any cheque that is subsequently determined to have been cashed on a fraudulent endorsement.

When a replacement cheque is requested from a District Office by a recipient, the recipient is required to sign a declaration stating that the original cheque has not been received and certifying that "in the event that a duplicate cheque is issued in my favour I hereby undertake not to cash, endorse or transfer the original should it ever come into my possession but to return same immediately to the said Treasurer of the Province of Ontario."

During the review a number of instances were noted where recipients had cashed both the original cheque and the replacement cheque after having signed the above declaration. There are no statistics maintained respecting the number of recipients who later admit to having cashed both the original and the replacement cheque. A review of a number of files in one of the nineteen Regional Offices, however, revealed 37 instances of this practice in the three month period from June 1, 1975 to August 31, 1975 which resulted in a total overpayment of \$9,393 being made to the recipients.

The following suggestions were made with respect to replacement cheques:

1. Consideration be given to changing the present "certificate" that is taken when a cheque is replaced to a "solemn declaration" to be signed by the applicant.
2. Documentation relating to cheque replacements be filed alphabetically in each Regional Office. New requests for replacement should be referred to this file to determine if the recipient has previously claimed non-receipt of benefits cheques to permit action to be taken to investigate such non-receipt on a timely basis.
3. A "stop-payment" authorization be issued for the original cheque at the time a replacement cheque is issued.

A number of individual case files were selected and examined. Observations resulting from this examination included the following:

Voluntary Withdrawals

An allowance may be terminated by the Provincial Benefits Branch at the verbal or written request of a recipient or through a recipient providing information on changes in personal status such as marriage or employment that would affect eligibility for subsequent benefit payments.

During the course of the review, an examination was made of the case files pertaining to recipients whose allowances had been terminated in the period from August 1, 1975 to October 31, 1975 as a result of information provided by the recipients. The examination of 523 files revealed that overpayments amounting to \$36,848 had arisen because appropriate action had not been taken to terminate the individual allowance payments from the dates that information was received from the recipients or ineligibility was established. Of this amount, \$2,786 had been recovered from the recipients concerned by the end of the audit review. There was no evidence on the files pertaining to 78 recipients who had received overpayments totalling \$23,470 that any request had been made for a refund of the overpayment.

Delays of up to 186 days were noted between the dates that voluntary withdrawal information was received by Ministry personnel and the dates that the related allowances were suspended, and in 19 of these cases we observed that it had been necessary for the recipient or Field Worker to submit such information on more than one occasion before action was taken to terminate the allowances.

Instances were also noted where overpayments had been reduced or cancelled by application of section 13(4) of Ontario Regulation 287, R.R.O. 1970, as amended, under The Family Benefits Act, and it would appear that this practice was formalized by a memorandum issued by a Ministry official on November 5, 1975. This section states that:

"Where a recipient ceases to be eligible for an allowance the Director may nevertheless direct that the allowance be paid for the calendar month immediately following the month in which the eligibility ceased."

The Branch does not maintain a record to indicate the total overpayments that have been reduced in this manner but it was felt that this section of the Regulation should be applied on a selective basis relating to the needs of the individual recipients and not utilized as a vehicle for the reduction or cancellation of established overpayments.

Earnings

Sections 10 and 12 of Ontario Regulation 287, as amended, provide for the inclusion of income from the earnings of the recipient, spouse or any dependent in determining the amount of allowance granted to a recipient. Several instances were noted during the review of files where the dates of the commencement of the earning periods or the actual values of the earnings reported by the recipients had not been verified by Ministry personnel. Instances were also noted, in cases

where verification of earnings had been completed by Ministry personnel subsequent to the recipient's voluntary withdrawal from benefits, that the dates indicated by the recipients for commencement of work or the salaries cited by the recipients differed from the corresponding information shown by the respective employers' records. In each of these latter instances, overpayments of benefits resulted from the delayed verification of earnings.

Policy Directive #48, issued in February 1976, states, in part, that:

"... any money earned during the year while the child remains a dependent child shall not be considered as earnings available for family maintenance if the recipient confirms that the money will be used to further the child's academic education. . . ."

This directive would appear to contravene the provisions of section 12(1)(c) of Ontario Regulation 287, as amended.

General

Substantial overpayments were noted to have been caused by the improper or non-completion of Present Condition Reports. Present Condition Reports pertain to the current personal circumstances of the recipients and are prepared by Field Workers in the recipients' homes or by the recipients and then mailed to the Provincial Benefits Branch. Although Present Condition Reports are to be filed at least once a year for each recipient, several files were examined on which no such reports had been filed for a number of years.

A clarification of the various sections under The Family Benefits Act and related regulations that pertain to the granting of an allowance to a disabled or permanently unemployable person should be sought. Instances were noted where the Social Assistance Review Board had directed the Director of the Provincial Benefits Branch to provide an allowance to persons under these categories although the Medical Advisory Board had not accepted such individuals as being disabled or permanently unemployable. Cases were also observed where the Social Assistance Review Board had directed assistance to be provided to applicants as a "disabled person" although the Medical Advisory Board had indicated that such individuals were "permanently unemployable". The allowance paid to a "disabled person" in these cases amounted to \$250 per month compared to the monthly allowance of \$148 for a "permanently unemployable" person.

The preceding comments were included in our memorandum dated August 26, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views on the subject matter.

96. Unauthorized Expenditure re The Liquor Licence Act, 1975, Ministry of Consumer and Commercial Relations. The Liquor Licence Act, 1975 established the Liquor Licence Board and the Liquor Licence Appeal Tribunal. Expen-

diture activity with respect to these bodies is recorded in Volume 1 of the 1975-76 Public Accounts, page 227, in the amounts of \$1,325,403 and \$20,170, respectively.

Section 2(9) of The Liquor Licence Act, 1975 provides that "... the expenditures of the Board shall, until the 1st day of April, 1976, be paid out of the Consolidated Revenue Fund. . .". The 1975-76 expenditure of the Liquor Licence Board was, therefore, authorized by statute. The Act, however, makes no reference to the expenditure of the Liquor Licence Appeal Tribunal. As a result, there was no apparent authority for the expenditure of the Tribunal for the period ended March 31, 1976. This matter was brought to the attention of the Deputy Minister, Ministry of Consumer and Commercial Relations. On July 7, 1976 he responded as follows:

"The question you raised concerning the lack of statutory authority in The Liquor Licence Act, 1975 to defray the 1975-76 expenditures of the Liquor Licence Appeal Tribunal was referred to the Ministry Legal Staff and the Legislative Counsel.

"After examination of the legislation, they concluded that the position you have taken, that there is no apparent authority for the expenditure of \$20,170 for the Tribunal for the period ended March 31, 1976, is correct. They concur that the Bill should have made specific reference to 'initial' funding for the Tribunal.

"In uncovering this oversight, it is clear that section 2(9) of the Act, which did provide monies for the expenditures of the Liquor Licence Board to be paid out of the Consolidated Revenue Fund until April 1, 1976, did so because the Board was already in existence and there was a need to provide for its continuity and its operation. It can only be surmised that the Tribunal unlike the Board was brand new and provision for its operation until April 1, 1976 was simply overlooked.

"There was certainly no attempt on the part of the Ministry to mislead. Believing The Liquor Licence Act contained authority for the expenditures of the Appeal Tribunal, Management Board was asked to provide start-up funds to the end of the 1975-76 fiscal year. It was only after Management Board's permission was granted that \$20,170 was spent to purchase furniture, etc. for the Tribunal and its staff.

"In the future, expenditures for the Tribunal shall be paid out of monies appropriated by the Legislature. As you know, this was the case with the 1976-77 budget. . . ."

97. A Review of Proceeds Received, Olympic Lottery Sports Fund, Ministry of Culture and Recreation. The Olympic Lottery Sports Fund was established by Order in Council dated November 28, 1973 for the purpose of receiving deposits of the Ontario portion of the proceeds from the sale of lottery tickets by the

Olympic Lottery of Canada Corporation. The agreement between the Corporation and Her Majesty in Right of Ontario provided for five per cent of the face value of all tickets sold in Ontario to be paid into a trust account to be used for the development of amateur sport in Ontario. This trust account, or Fund, is administered by the Minister of Culture and Recreation.

During 1975-76 the Fund received \$4,289,839, representing the Province's share of the proceeds from the sale of tickets for the fifth, sixth and seventh lottery draws. During the same period \$2,288,490 was paid out of the Fund for the development of amateur sport in Ontario. As at March 31, 1976 the Fund had accumulated receipts and disbursements of approximately \$7.7 million and \$3.7 million respectively, leaving a balance in the Fund of just over \$4 million.

In accordance with the provisions of agreement between the Province of Ontario and the Olympic Lottery of Canada Corporation, a review was made of the financial statements and records maintained by the Corporation in respect of the Olympic Lottery tickets offered for sale in the first six Olympic Lottery draws. These draws took place in the period April 15, 1974 through September 28, 1975, with intervals of approximately three months between each draw. Responsibility for the distribution and reporting of lottery ticket sales to financial institutions and distributors across Canada was undertaken by a chartered bank. The accounting records and controls for the sale and cancellation of lottery tickets were maintained by a firm of public accountants, who also determined and certified ticket sales by province and audited the financial statements of the Corporation.

Actual lottery ticket sales for the first six draws totalled 29,897,707 of which 12,722,181 or 42.5 per cent, were sold in Ontario. Sale of lottery tickets in the Province of Quebec equalled 43.1 per cent of total sales, with the remaining 14.4 per cent being essentially accounted for by sales in other provinces. Under the terms of agreement, the Province is to receive five per cent of the face value of tickets sold in Ontario within thirty days from the date of each lottery draw. Payments to Ontario in respect of these sales totalled \$6,361,090 up to and including the sixth lottery draw, and were received by the Province within the specified time period.

The audit review consisted of such tests and checks of the accounting records and other supporting documentation as were considered necessary in the circumstances. After conducting these various tests and checks, we were satisfied that the reported ticket sales for Ontario were fairly stated.

98. Absence of Regulatory Authority for Grant Payments, Ministry of Culture and Recreation. The Ministry of Culture and Recreation Act, 1974, states that it is the function of the Ministry to advance and encourage responsible citizenship through the process of cultural and recreational development. In addition, the Act authorizes the Lieutenant Governor in Council to make regulations including those:

- (a) providing for programs with respect to adult education, culture, recreation, camping and physical education;
- (b) providing for the apportionment and distribution of moneys appropriated or raised by the Legislature for,
 - (i) programs of adult education, culture, recreation, camping, and physical education, and
 - (ii) leadership training camps;
- (c) prescribing the conditions governing the payment of grants for programs of adult education, culture and recreation, camping or physical education under the authority of the Minister, and providing for the approval of the Minister in any condition;
- (d) authorizing the payment, with the approval of the Minister, of special grants for programs of recreation, and fixing the amounts thereof.

At the time of our review no regulations had been made under this Act.

We noted that the following transfer payments were made during the year ended March 31, 1976 without the terms and conditions of payment being prescribed by regulation:

Grants for Cultural Support (Capital)	\$ 2,500,046
Outreach Ontario—Grants to Participating Agencies	605,000
Grants for Cultural Olympics	23,775
Grants for Cultural Exchange	19,235
Grants for Newcomers and Community Projects	383,113
Grants for Special Projects and Services	1,964,418
Grants for Experience '75 Projects	1,371,884
Financial Assistance for Sports and Physical Recreation	3,355,565
Olympic Lottery Grants for Projects, Facilities and Events	3,428,689
	<u>\$13,651,725</u>

We recommended that the Ministry review its expenditure programs for the purpose of developing detailed regulations for those transfer payments not already covered by regulation under other Acts.

The above comments were included in our memorandum dated September 14, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views on the subject matter.

99. Expenditure re Old Fort William, Ministry of Culture and Recreation. The restoration of Old Fort William at a site located in the City of Thunder Bay continued under an agreement dated July 29, 1971 between the Province of Ontario and the Project Manager. The administration of this agreement on behalf of the Province was transferred from the Ministry of Natural Resources to the Ministry of Culture and Recreation on April 1, 1975. The agreement included an estimate of \$5,545,500 for the cost of construction, subject to an increase of not more than ten per cent and increases due to inflation as deter-

mined by the Southam Construction Index. The accumulated costs to March 31, 1976, under this agreement, amounted to \$12,746,457 according to the records of the Ministry.

On April 2, 1974 Management Board directed that a proposed amendment to the above agreement specify a holdback of \$50,000 until all work had been completed to the satisfaction of the Ministry. Funds held back by the Ministry of Natural Resources and then by the Ministry of Culture and Recreation were invested in short term interest bearing securities registered to the Ministry in trust for the Project Manager. The holdback of \$50,000 and earned interest of \$2,528 were released to the Project Manager on August 21, 1975 and replaced by a duly executed Performance Bond in the amount of \$50,000.

During construction part of the walls of Building Number 3, The Stone Storage, collapsed. In order to assign responsibility for this occurrence an arbitrator was appointed. The decision of the arbitrator directed the Project Manager to reconstruct the building at no cost to the Province. On June 9, 1976 the Project Manager issued a Variation Order to the Construction Manager to proceed with the reconstruction of the building. However, the Order stipulates that the contract sum be increased by the lesser of 33-1/3 per cent of the agreed cost of the work or \$15,000. This stipulation appears to be in conflict with the direction of the arbitrator.

A project entitled "Fort William Archaeological Project 1974-75 Publication Programme" was initiated by an agreement dated December 16, 1974 between the Ministry of Natural Resources and a University. The administration of this agreement was continued by the Ministry of Culture and Recreation. The agreement provided for the preparation of four publishable facsimile manuscripts suitable for photo-offset reproduction and at least ten technical reports on certain aspects of the project's work in connection with the Fort. We noted that the expenditure to March 31, 1976 on this programme, according to the records of the Ministry, amounted to \$242,032 although the agreement stated that the total amount paid was not to exceed \$200,000.

Our observations were included in a memorandum dated September 14, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views on the subject matter.

100. Meal and Accommodation Costs, Ministry of Culture and Recreation. An examination of accommodation and meal costs revealed instances where rates paid for hotel accommodation for a night in Toronto hotels varied from \$30 to \$39, and meal costs extended from \$15 to \$19 per day. We recommended that the Ministry issue formal guidelines for accommodation and meal costs, as required by the Manual of Administration, and make them available to all employees and non-public servants acting for the Ministry.

A review of the Ministry's expenditure on meetings during the period from

April 1, 1975 to February 29, 1976 included an examination of billings for 40 meetings held at 16 Toronto hotels costing \$18,466 in total, including meals and liquor. Some of the billings did not indicate the purpose of the meeting nor the names of those attending. We recommended that the facilities of the Macdonald Block be used for meetings, whenever possible, and that the Ministry develop standards and guidelines to regulate the cost of food and beverages provided at meetings, luncheons and other hospitality related functions. Each account submitted for payment should indicate the purpose of the function and the names of the persons in attendance, where practicable, or a description of the government or other section represented.

Included in the above-mentioned meetings was one held on September 12, 1975, stated to be a function for an employee being seconded to the Canadian Olympic Association. The cost of this function was \$276 including bar charges of \$135. Expenditure of public funds on functions of this nature is specifically prohibited in the Manual of Administration under Testimonial Dinners and Farewell Functions.

With respect to our comments in the preceding paragraph, the Ministry wrote to us on September 30, 1976 and advised that:

"The function held for an employee being seconded to the Canadian Olympic Association was in fact a special news conference called by the Deputy Minister of the day. The purpose of the news conference was to announce the secondment of a senior Ministry official to the Association, and to publicize this and other financial contributions being made by the Ministry and the Province to the Olympic Games. In my opinion, the expenditures were not excessive nor were they contrary to current policy."

101. Suggested Change in Accounting for Net Profits of the Ontario Lottery Corporation, Ministry of Culture and Recreation. The Ontario Lottery Corporation Act, 1974, section 9, states as follows:

"The net profits of the Corporation after provision for prizes and the payment of expenses of operations shall be paid into the Consolidated Revenue Fund at such times and in such manner as the Lieutenant Governor in Council may direct, to be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor."

During the 1975-76 fiscal year net profits amounting to \$42,000,000 were received by the Ministry of Culture and Recreation and recorded as revenue. Expenditures of the Ministry for the same period for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities were made from funds appropriated by the Legislature.

The Act requires that the net profits of the Ontario Lottery Corporation be available for the purposes described therein, and consideration should therefore be given to the deposit of these funds in a deposit or trust account with the Trea-

surer of Ontario. In order to account for the net profits of the Ontario Lottery Corporation received, expended and unexpended, we recommended that the Ministry maintain formal accounting records on a continuing basis.

Our recommendation to the Ministry was contained in a memorandum dated September 14, 1976. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views in the matter.

102. Estimates vs Public Accounts Accounting Presentation, Construction of Waste Utilization Facilities, Ministry of the Environment. In the analysis of Vote 1904-1 by Standard Accounts Classification in the 1975-76 Expenditure Estimates an amount of \$9,800,000 was reflected as "Disbursements—Construction of Waste Utilization Facilities". Payments made during the year ended March 31, 1976 in respect of the construction of waste utilization facilities totalled \$5,167,512, and were reflected in the analysis by Standard Accounts Classification in the 1975-76 Public Accounts as "Acquisition/Construction of physical assets".

This change in accounting presentation was made following an agreement between the Ministry and the Financial Information and Accounting Policy Branch of the Ministry of Treasury, Economics and Intergovernmental Affairs that payments in respect of the construction of waste utilization facilities should not be accounted for as "Disbursements". It was felt that, since the cost of these facilities is subject to only partial recovery, amounts expended should not be accounted for as assets on the Province's Statement of Assets and Liabilities. Rather, they should be accounted for as budgetary expenditure and be presented in both the Estimates and the Public Accounts under the Standard Accounts Classification "Acquisition/Construction of physical assets".

The change in Standard Accounts Classification should, in our opinion, have been approved by Management Board of Cabinet. As far as we could ascertain, no such approval had been obtained.

103. Improved Procedures Recommended re Provincial Sewage Works Project, Ministry of the Environment. The Ministry appointed a company to act as its agent in the negotiation and acquisition of a large number of properties and easements for the construction of the York/Durham Provincial Sewage Works Project. All aspects of the acquisition of these properties and easements were delegated to the company.

Moneys were advanced to the company, in trust, to facilitate payments to vendors and payments of legal fees. During the period July 8, 1974 to March 3, 1975 four advances totalling \$10,000,000 were made to the company for this purpose. These advances were made well before the moneys were required by the company as evidenced by the following:

1. During the periods July 8, 1974 to October 31, 1974, November 21, 1974 to January 17, 1975 and March 10 to April 29, 1975 the unexpended balances on hand were never below \$500,000.
2. A balance of \$179,870 remained in the trust account at July 31, 1975.
3. Interest of \$38,752 was earned on funds withdrawn from the trust account from time to time by the company for investment in short term deposits.

This method of financing the purchase of the properties and easements resulted in the Ministry's 1974-75 expenditures being overstated by more than \$700,000 as the company had this amount on deposit as of the end of the fiscal period. Also, the Public Accounts for that year did not indicate that a portion of the \$10,342,888 reported as paid to the company consisted of trust funds. Further, the ultimate recipient of public funds for property purchased or easements was not reported in the Public Accounts. In our opinion, moneys advanced to the company should have been made from an accountable advance and not charged as expenditure until such time as the properties were acquired or easements obtained. We felt, also, that the Public Accounts should have reflected the ultimate recipient of the public funds.

The Ministry approved the acquisition price and the disbursement of amounts from the trust account for purchases and legal fees, but apparently maintained no other financial control over these funds. Fees charged by the company for their services were on a per diem basis at a rate according to type of staff employed. The rates had been increased twice up to 50 per cent above the original rate, depending upon the classification of staff used. The purchase orders authorizing the services of the company were made out for blanket amounts and made no reference to the fee schedule. As the fee structure did not appear to have been communicated to the Financial Services Branch, these accounts when passed for payment were subject to arithmetical check only.

Additional observations were brought to the attention of the Ministry as follows:

1. The company which was to act as the agent of the Ministry in acquiring the properties and easements should have been selected in conformity with the Directive, Contracts for Management Consultants, in the Manual of Administration. Attention was especially directed to the following provision included in this Directive:

"Ministries should seek to make their selection of technical consultants on the basis of quotations submitted by three candidates."
2. A formal agreement should have been executed with the company and its terms should have included services to be performed, contract period, fees to be charged and timing of advances.
3. Advances should have been made only as required by the company.

4. It should now be ascertained what balance of the funds in the agent's trust account is no longer needed to complete the acquisition program. This balance should be returned to the Ministry forthwith.

On June 14, 1976 the Ministry responded as follows:

"It was the opinion of the Ministry at the time when the first advance was made, that the ready availability of funds to our agent would facilitate the acquisition of properties in this scheme. Indeed, some 70 properties were acquired without adverse publicity or criticism—we regard this as fortunate. Furthermore, our Internal Audit Branch carried out an examination of the use of the funds advanced to our agent and determined that funds not in use were invested at all times and were accruing interest to the Province.

"We must agree with your statement that this Ministry's expenditures as shown in the Public Accounts for 1974-75 were overstated by the amount on deposit with the agent at the year-end. We therefore also agree with your opinion that the funds advanced to the company should have been made from an accountable advance and not charged as an expenditure until such time as the properties were acquired. The recording of payments in the Public Accounts under the name of our agent rather than under the ultimate recipient has been simply a matter of past practice. However, with effect from 1975-76 payments will be recorded in the Public Accounts in the manner you suggest.

"The assumption by the Ministry of Government Services of the Property function will see an end to the previous financial relationship with our agent. In future, cheques will be requisitioned for property purchased on an as-needed basis.

"In view of the fact that the existing purchase order relating to our agent does not contain a detailed fee schedule, the Project Co-ordination Branch has been instructed to provide a separate schedule of authorized fees to the Financial Services Branch for their use when processing invoices."

and

1. "The Directive you quote also states 'When this practice is not feasible, in each instance, the Ministry should fully document and retain on file the reason for not obtaining three quotations'. The initial appointment of an agent in 1972 resulted from consideration of two firms, of which our agent was one, the other being (named company). The estimated cost of their work at that time was \$3,400. It was the professional opinion of the Director of Property for the Ontario Water Resources Commission at that time that only these two firms could provide the type of evaluation that was considered necessary. By 1973 the company had become an integral

part of the design team in assisting the design consultants with property evaluation as part of their economic selection of an optimum route. The company was then approached by the Ministry to provide a complete service of property acquisition. This finally resulted in the first Purchase Order being issued by the Ministry for their services in 1973.

2. "We agree that a formal agreement should have been executed with the agent. It is our understanding that the Ministry of Government Services is proceeding in that direction.
3. "Cheques will, in future, be given to our agent when required. That is to say we shall be following the standard system used by the Ministry of Government Services.
4. "As of April 12, 1976, the agent had a balance in the trust account of \$2,500,000. It is anticipated that all of this amount, and more, will be required to complete our acquisition program. However, we have recovered \$1,800,000 of this sum since it is not immediately required."

104. Improper Use of Section 26 of The Financial Administration Act, Ministry of Government Services. The Ministry of Government Services made two requests during the 1974-75 fiscal year to the Ministry of Treasury, Economics and Intergovernmental Affairs for permission to make payments for land purchases under section 26 of The Financial Administration Act. Recovery was to be obtained from funds provided by Supplementary Estimates and by Management Board Order. The requests were made because there were insufficient funds in Vote 702, Item 4 to meet contractual commitments.

According to the records of the Ministry of Government Services, \$9,532,904 was paid during the fiscal year 1974-75 under section 26 of The Financial Administration Act. It is our opinion that this authority should not have been used since section 26 of The Financial Administration Act allows interim payments to be made only where the charges are to be recovered from another ministry or ministries or from another appropriation or from a federal appropriation.

The Ministry subsequently commented as follows:

"Your comments respecting Section 26 advances to fund land acquisitions in 1974/75 seem to turn on the interpretation of the words 'or from another appropriation'. The authority from the Treasurer which we have on file, and under which we took action, seems to be based on the interpretation that 'another' means an 'additional' appropriation. Your interpretation appears to be that 'another' in this context means a 'different' appropriation. It is our understanding that the funding was appropriately authorized and valid. In any event, the advances were cleared by an M.B.O. and a Supplementary Estimate prior to the fiscal year end."

105. Non-Current Bank Reconciliations, Ministry of Government Services. During April 1976 a review was made of bank reconciliations and related activities. At that time the Bank Reconciliation Section of the Ministry of Government Services was responsible for reconciling forty active bank accounts, and we were advised that the aggregate cheque volume involved was approximately 9 million per year.

Reconciliations are normally prepared at the end of every second month. The effective date of reconciliation statements presented at the commencement of the audit ranged from May 31, 1975 to March 31, 1976. Twenty bank accounts were in a non-current reconciliation position (i.e. latest reconciliation as at December 31, 1975 or prior). Of these accounts, seven had not been reconciled since July 1975, while two had not been reconciled since May 1975. This was a most unsatisfactory reconciliation situation, and we urged that every effort be made to rectify it as soon as possible.

We were informed that two factors were principally responsible for the delinquent bank reconciliations. Firstly, as of July 1, 1975 the main accounts payable bank accounts were converted to a computerized reconciliation system. Numerous conversion difficulties were encountered and deficiencies in the system caused much of the input to be rejected. Secondly, the staff of the reconciliation section was depleted to three reconciliation clerks whereas, under full complement conditions, six clerks would have been available.

On August 13, 1976 the Ministry advised us that:

“Considerable improvement has been made since completion of your audit. Ninety percent of all bank accounts are completed to March 31, 1976. The seven accounts (accounts payable) to which you refer have been completed to March 31, 1976 with a few unresolved differences which should be cleared away in the next few months. One, not two accounts, was unreconciled since May, 1975 but this too has been brought up to March 31, 1976. Further improvement is expected.

“Action to alleviate the staffing situation had been initiated in late 1975. As a result of a reorganization within the Supply and Services Program, additional complement was assigned to the Government Payments Branch to mitigate the effects of the Government restraint program. The Cheque Reconciliation Section is now fully staffed. In addition, some accounting students from a firm of Chartered Accountants were hired during June and July of this year to assist in reducing backlog while new staff were undergoing training.

“With respect to the reconciliation system, a joint TEIA/MGS task force has been established at our initiative with an objective to improve the cheque issuance/reconciliation procedures so as to avoid recurrence of unsatisfactory situations.”

106. Changes Recommended in Cash Advance Arrangements for Federal Subsidies, Ministry of Health. To effect a more beneficial contribution by Canada, Ontario requested permission, effective with the submission of Medical Care costs for the 1974-75 fiscal year, to report costs relating to approved diagnostic laboratories and radiology facilities under the Hospital Insurance and Diagnostic Services Act rather than under the Medical Care Act.

Canada agreed to this proposal and established five criteria to determine whether the costs of a laboratory or clinic would be shareable under the Hospital Insurance and Diagnostic Services Act. Using these criteria Ontario submitted a list of facilities to Canada, the costs of which were considered to be shareable under the Act. The final costs under the Medical Care Act for the 1974-75 fiscal year were subsequently reported with an observation that:

"This claim does not include \$73,599,011.16 representing commercial laboratories and diagnostic radiology costs now claimable under the HIDS Act."

Although the shareable portion of the total costs of \$73,599,011 was claimable from Canada under the Hospital Insurance and Diagnostic Services Act, the Ministry of Health had only received advances for Canada's share of these costs for January, February and March 1975. The costs for this three month period amounted to \$24,433,525. Advances had not been received with respect to expenditures for the period from April 1974 to December 1974. These latter expenditures totalled \$49,165,486, and according to Regulations under the Act governing "Returns" and "Advances", should, in our opinion, have provided an additional advance from Canada in excess of \$23,000,000.

We recommended that a claim be filed immediately and that every effort be made to obtain Canada's acceptance of these expenditures prior to the final cost determination in 1976.

Remittances by Canada under the Medical Care Act are the largest payments still being made by cheque for a major cost-sharing program. In addition to the two or three day transmittal time required to make such remittances by cheque, there is a risk of loss or delay in the mails. In one instance a cheque in the amount of \$22,702,400 mailed from Ottawa on September 9, 1975 had not reached the Toronto office by September 17, 1975. A duplicate cheque was issued and subsequently deposited on September 18, 1975. In another instance in March 1974 a cheque for \$10,000,000 was lost and later replaced. This \$10,000,000 payment was expected to arrive on or about March 15, 1974, but the replacement cheque was not available for deposit until March 25, 1974. In both of these situations the Province suffered an interest loss of several thousand dollars.

In the interest of prompt transmittal and security of funds we felt that the Ministry should make further representation to Canada to remit future payments in the form of bank transfers.

The Deputy Minister wrote to us on December 16, 1975 and advised that:

"It is quite true that the Federal authorities have stated that they will not be able to make any advances on 1974 expenditures totalling \$49,165,486 until the final settlement is made under the Hospital Insurance and Diagnostic Services Act for 1974.

"As the sharing on this is a substantial sum to the Province, I wrote to the Deputy Minister of National Health and Welfare, Mr. Jean Lupien on November 18, 1975 and requested that he give this matter his personal attention because apparently his officials were not able to make the advance. To-date I have not received a reply from him."

and

"Our people have tried repeatedly to have the advances under the Medical Care Act made to Ontario by bank transfer rather than through the mails. Years ago, we were able to arrange for the monthly advance under the Hospital Insurance and Diagnostic Services Act to be made by bank transfer, but different officials authorized the advance under the Medical Care Act, and they claimed that to make a change for Ontario would require a change for all other Provinces, with a resulting effect on their treasury cash flow.

"However, at the meeting here with the Federal officials on December 3rd, the request for a payment of advances by bank transfer was discussed at some length, and because there has been some reorganization in the personnel who handle these matters in National Health and Welfare, there are indications that our request to go to bank transfer will be accepted."

107. Excessive Number of Participants per Claim History Records, Ontario Health Insurance Plan, Ministry of Health.

Subscribers and dependants are not pre-registered in the Ontario Health Insurance Plan (OHIP) system. Contracts are classified as either single or family. Subscribers and dependants are termed participants and are set up on the claim history records from details on claim cards submitted to OHIP by providers of services. Participant's identification on an incoming claim is compared to participants' identification previously recorded in the computer claim records, establishing a point score for a successful match of each of first name, birth date and sex. A match condition results when total point score equals or exceeds an established minimum. Where, however, less than the established minimum point score is accumulated a new participant is created. Submission of inaccurate information by the provider of the service can, therefore, result in a participant being recorded more than once. When this occurs many of the claim analysis controls in the computer program will not be effective, and overpayments and duplicate payments can result.

We noted that the total number of participants on OHIP's claim history records as at July 31, 1976, as adjusted for the 1974 file purge, was 12,748,793.

This total compared most unfavourably with the estimated population for Ontario at June 1, 1975, according to Statistics Canada, of 8,226,000. Additional claim history file maintenance procedures were strongly recommended in this area.

The foregoing was brought to the attention of the Ministry in our memorandum dated August 31, 1976. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views in the matter.

108. Improved Control Necessary, Ontario Drug Benefit Plan, Ministry of Health. The cost to the Ministry of Health for the above Plan for the nine month period ended December 31, 1975 amounted to \$19,803,764. Under this plan certain prescription drugs are supplied free to eligible persons. This is accomplished by reimbursing pharmacies and others supplying drugs to those individuals who are eligible.

We learned in the course of the audit that duplicate payments to pharmacies occurred in August 1975 when items paid for on the second July payment run were repeated on the first August payment run, the total amount involved being \$1.5 million. To prevent this recurring, steps were taken within data preparation to log all jobs submitted to the Data Centre, a function which had apparently been discontinued. In addition, the Ministry arranged that a review be made of all drug benefit system controls by a financial systems specialist from the Ministry of Government Services. A report on this review was not available at the conclusion of the audit.

Profiles on pharmacies' billings are produced to provide such details as the amounts earned by each pharmacist, the average cost per drug supplied and the average monthly number of prescriptions filled. Profiles reviewed at the time of the audit showed that the average drug claim for a number of pharmacies was quite high. Further investigation by officials of the Pharmacy Services Section led to charges being laid by the Ontario Provincial Police against one pharmacist. We understood that investigations of pharmacies whose claims appeared excessive were to be expanded in the future. This action should help to reduce possible abuses of the Plan.

The Ministry subsequently advised:

"The review of drug benefit controls was completed, and the recommendations contained in a report dated October 20, 1975. The majority of the report's recommendations have been, or are in the process of being adopted; the data control instructions produced in November have been implemented, and they are currently in place to prevent duplicate payments."

and

"Drugs and Therapeutics Branch have investigated a number of pharmacists and physicians in 1975. Four cases against pharmacists were forwarded to the Ontario Provincial Police with three still being investigated and one

being charged and given a nine-month prison term. Four pharmacists have been charged under The Health Disciplines Act through the Ontario College of Pharmacists. One physician was charged under The Health Disciplines Act through the College of Physicians and Surgeons. In all these cases money has either been recovered, or final payment cheques have been withheld awaiting a decision from the appropriate areas.

“We feel that this record of charges proves that our auditing and investigation system is effective and satisfactory.”

109. Incomplete Control over Industrial Therapy Workshop Expenditures, Kingston Psychiatric Hospital, Ministry of Health. Industrial Therapy Workshop expenditures amounted to approximately \$101,700 in the period from January 1, 1974 to March 31, 1976. These disbursements were originated by the workshop supervisor but they were not subject to review and approval by an Industrial Therapy Workshop Committee. We were informed that such a committee did exist but that it had not held any meetings or carried out its supervisory function for a number of years. We pointed out that a regular review and approval of current financial transactions by the Industrial Therapy Workshop Committee was essential in order to provide an effective control over the Industrial Therapy operation.

We were subsequently notified by the Ministry that:

“The first meeting of the Workshop Services Committee was held on June 4, 1976. Meetings will be held monthly to carry out the functions outlined in Vocational Workshop Procedures.”

110. Insufficient Monitoring of Service Verification Letter Program, Ontario Health Insurance Plan, Ministry of Health. In order to obtain some independent verification that medical services were rendered in respect of claims paid, the Ontario Health Insurance Plan introduced a service verification letter program to check the accuracy of physicians' billings. We ascertained that, in 1975, 30,000 verification letters were sent out in each of seven districts and 15,000 verification letters were sent out in the other two districts. Under the program, replies to these letters are handled by the appropriate district offices. Any which require follow up are directed to the district medical consultants and, should major discrepancies be found, they are referred to the Director of the Professional Services Monitoring Branch for investigation.

The information available regarding the effectiveness of verification letters is vague and incomplete, and it appears that such data has only recently been maintained on file. District Offices have been requested to submit pertinent data to the Claims Services Branch but response to this has been poor. From a review of the available information it seemed that the number of verification letters returned undelivered was exceptionally high in one District, while in another the percentage of completed replies was abnormally low.

The report by the Audit Branch on the Service Verification Activity for the period September 1, 1973 to November 30, 1974, issued on February 19, 1975, was reviewed and a request made for audit reports on work done subsequently in this connection. The reply to this request was that this was an ongoing audit and that a report would be issued in March 1976.

The Ministry responded to these comments on September 3, 1976:

"It has been found that a very small percentage of returns are meaningful and are acted upon. The addresses, incidentally, are provided by the physician on the claim card.

"The Audit Branch was unable to produce the report scheduled for March, 1976. As you are aware, priority had to be given to the area of Private Laboratories. The review, however, will be continued and incorporated as part of the OHIP District Office audits."

III. Medical and Practitioner Review Committees, Ontario Health Insurance Plan, Ministry of Health. Records maintained by the Ontario Health Insurance Plan (OHIP) indicated that over 50 million fee-for-service claims were processed during the 1975-76 fiscal year for a payment total in excess of \$728,000,000. Approximately 94.5 per cent of the fee-for-service payments were made for medical services and 5.5 per cent for practitioner services (i.e. services related to chiropody, chiropractic, dentistry, optometry and osteopathy).

We reviewed procedures adopted by OHIP to protect against possible abuses of the Plan. Particular emphasis was placed on the function and operation of the Medical Review Committee and the various Practitioner Review Committees. Our observations and recommendations were as follows:

MEDICAL REVIEW COMMITTEE

Organization of Committee

The Medical Review Committee (MRC) was established in September 1971 under The Health Services Insurance Act, and was continued under section 5(1) of The Health Insurance Act, 1972, as a committee of the College of Physicians and Surgeons. The Act requires that the committee consist of not more than six members appointed by the Minister from among the persons nominated for such purpose by the College of Physicians and Surgeons, and two members who are not physicians or practitioners, appointed by the Minister. At the time of our review the Committee was composed of eight members who were serving a term of one year commencing September 27, 1975.

The Act provides that remuneration be paid to committee members as the Lieutenant Governor in Council determines, and that expenses related to administration and the engaging of assistance be paid as approved by the Minister. A per diem rate of \$175, together with necessary travelling and other expenses of the

Committee, was approved by Order in Council effective January 1, 1974. Total expenditure in respect of the Committee for the 1975-76 fiscal year, as compiled by the Ministry, amounted to \$209,761.

Duties of Committee

The duties of the MRC are stated in section 5(4) of the Act:

“The Medical Review Committee shall make recommendations to the General Manager on any matter referred to it under section 22 and shall make reports and recommendations respecting any matter referred to it by this Act or the regulations or by the Minister, the Appeal Board or the College of Physicians and Surgeons and shall perform such other duties as are assigned to it by this Act or the regulations.”

Under the Act the General Manager is required to refer any matter to the MRC where, in respect of insured services rendered by a physician, it appears to him that:

- (a) all or part of the insured services were not in fact rendered;
- (b) all or part of such services were not medically necessary;
- (c) all or part of such services were not provided in accordance with accepted professional standards and practice; or
- (d) the nature of the services was misrepresented.

Referrals to the MRC for the period April 1, 1972 to June 30, 1976, as reflected by OHIP records at June 30, 1976, are summarized below. This summary includes cases selected by the MRC for review as a result of the application of the Quality Service Payment Formulae. This formulae approach was developed by the Committee but has since been discontinued.

<i>Period</i>	<i>Cases Referred</i>	<i>MRC Recommendation Made</i>	<i>MRC Recommendation Pending</i>
Apr 1/72—Mar 31/73	171	171	—
Apr 1/73—Mar 31/74	79	79	—
Apr 1/74—Mar 31/75	129	91	38
Apr 1/75—Mar 31/76	136	27	109
Apr 1/76—June 30/76	29	1	28
	<u>544</u>	<u>369</u>	<u>175</u>

As indicated in the preceding summary, 175 cases were pending MRC recommendation including 38, or almost thirty per cent, of the cases referred during the year ended March 31, 1975. Long delays mitigate against the effectiveness of the referral system. We therefore recommended that procedures be reviewed with the objective of expediting the completion process.

Recommendations of MRC

Of the 369 recommendations made to date by the MRC, 115 recommended recovery action while 254 concluded that no adjustment was necessary. Where re-

covery action is recommended, the physician concerned may appeal the recommendation to the Health Services Appeal Board in accordance with the provisions of The Health Insurance Act, 1972. The Health Services Appeal Board is appointed by the Lieutenant Governor in Council and is to be composed of from five to nine members of whom not more than three shall be physicians. At June 30, 1976 the Board was composed of nine members of whom two were physicians.

We reviewed a number of the cases where the MRC had concluded that no adjustment was necessary. In some instances we noted that supporting reasons were not provided by the MRC nor were they requested by OHIP. In our opinion supporting reasons should be obtained for all MRC recommendations.

From the inception of the MRC to June 30, 1976, OHIP records showed that \$1,106,737 had been recovered as a result of the MRC's recommendations. Approximately \$489,000 of this amount pertained to one physician for whom each monthly remittance was being reduced by 50 per cent, with subsequent adjustments made based on a Quality Service Payment Formulae calculation. An appeal dated June 3, 1975 had been made by the physician to the Supreme Court of Ontario and we were advised that the case was still pending.

OHIP records as at June 30, 1976 also indicated that slightly in excess of \$400,000 of recoverable amounts was outstanding with respect to MRC recommendations. In some cases recovery was being effected on an installment basis; in others appeals had been made to the Health Services Appeal Board or to the Supreme Court of Ontario. We also observed in several cases that calculation by OHIP of the amount of overpayment had not been completed. This process is often quite time consuming and generally averages from two to three months. As an extreme illustration, one of the calculations outstanding at June 30, 1976 concerned a recommendation for recovery made by the MRC in December 1973.

During the course of our review we noted a situation where in 1973 a referral was made to the MRC in connection with a physician who was billing the Plan through a corporate entity, a laboratory. The MRC recommended certain recoveries which were calculated to be \$66,475. An appeal was made by the physician to the Health Services Appeal Board and, according to correspondence from the Ministry of Health counsel to the General Manager, the Board decided in August 1974 that neither the MRC, the General Manager nor the Board had the power under the existing legislation to order repayments by the physician, and that moneys were properly recoverable only from the named laboratory.

As a result of this decision, OHIP counsel reviewed pertinent legislation and concluded that there was no authority under section 22 of The Health Insurance Act, 1972 for the MRC to recommend, nor for the General Manager to recover reimbursement for fees or overpayment, in respect of services rendered by a health facility such as a medical laboratory. An amendment to section 22 of the Act was drafted with the objective of correcting the legislative deficiency. As far

as we could determine, however, the proposed amendment was being held in abeyance.

PRACTITIONER REVIEW COMMITTEES

Organization of Committees

Amendments in June 1974 to The Health Insurance Act, 1972, provided for the establishment of five Practitioner Review Committees, one for each of Chiroprody, Chiropractic, Dentistry, Optometry and Osteopathy. Each Committee is to be appointed by the Minister and is to consist of two members who are not physicians or practitioners and three members from the persons nominated by the governing Board or College. Under the legislation every practitioner review committee is a committee of the board or college that nominated persons appointed as members of the committee.

As at June 30, 1976 four of the five committees had been appointed. The fifth, the Osteopathy Review Committee, had not. Although appointment is legislatively required, possibly the relatively small claim payments made with respect to insured osteopathic services, approximately \$500,000 for the 1975-76 fiscal year, has been a factor in the non-appointment of a Committee to date. The current term of the four practitioner review committees appointed to date is one year effective from March 1, 1976.

The Act provides that remuneration be paid to committee members as the Lieutenant Governor in Council determines, and that expenses related to administration and the engaging of assistance be paid as approved by the Minister. Order in Council approval was obtained for a per diem allowance of \$175 for the members and Chairman of the Chiroprody, Dentistry, and Optometry Review Committees together with their necessary travelling and other expenses while so engaged. Order in Council approval was also obtained for a per diem allowance of \$150 for the members and \$175 for the Chairman of the Chiropractic Review Committee, plus travelling and other expenses. Total expenditure in respect of the committees for the 1975-76 fiscal year, as calculated by the Ministry, amounted to \$87,843.

Duties of Committees

The duties of the Practitioner Review Committees are stated in section 5a(6) of The Health Services Insurance Act and parallel those previously referenced in respect of the Medical Review Committee.

Under the Act the General Manager is required to refer any matter to the appropriate practitioner review committee where, in respect of insured services rendered by a practitioner, it appears to him that such services were not rendered, were misrepresented, were not therapeutically necessary or were not provided in accordance with accepted professional standards and practice.

Referrals to the Practitioner Review Committees (PRC) since their inception to June 30, 1976 are summarized below:

<i>Discipline</i>	<i>Cases Referred</i>	<i>PRC Recommendations Made</i>	<i>PRC Recommendations Pending</i>
Chiroprody	12	6	6
Chiropractic	16	2	14
Dentistry	7	2	5
Optometry	12	4	8
	<u>47</u>	<u>14</u>	<u>33</u>

Of the fourteen recommendations made to date by the PRC, ten recommended recovery action while four concluded that no adjustment was necessary. Calculations completed by OHIP at June 30, 1976 indicated approximately \$170,000 was recoverable relative to practitioner review committees' recommendations. As at that same date no recoveries had been effected.

Where recovery action is recommended, the practitioner concerned may appeal the recommendation to the Health Services Appeal Board. OHIP records indicated that four such appeals had been made as at June 30, 1976.

SUMMARY OF COMMITTEES' ACTIVITIES

The Committees' activities described in the foregoing have been summarized for ease of reference. The summary is as at June 30, 1976.

<i>Activity</i>	<i>MRC</i>	<i>PRC</i>
Cases referred	544	47
Recommendations made	369	14
Recommendations pending	175	33
	<u>544</u>	<u>47</u>
Recovery action recommended	115	10
No adjustment necessary	254	4
	<u>369</u>	<u>14</u>
Recoverable amounts received	\$1,106,737	—
Recoverable amounts not yet recovered (approx.)	\$ 400,000	\$170,000
	<u>\$1,506,737</u>	<u>\$170,000</u>

SUSPECTED FRAUD REFERRALS

OHIP records showed that from 1974 to June 1976 thirteen cases of possible fraud involving nine physicians, three practitioners and one commercial laboratory were referred to the Ontario Provincial Police or to the Metropolitan Toronto Police. Most of these cases were also referred to the respective Review Committees in accordance with section 22 of The Health Insurance Act, 1972.

A summary listing of the thirteen cases did not indicate their status or dispo-

sition. Based on available file information and inquiries made, we ascertained that in six instances the cases had been closed for various reasons (e.g. complaint not proved, not a breach of the Criminal Code, etc.), while in five other instances the cases were still deemed pending. As at June 30, 1976 one of these cases had been pending over one year, although we understand that a charge of fraud has since been laid, while the other four had been pending for periods ranging from two weeks to six months.

Charges had been laid in the remaining two cases. In one of these cases a conviction was obtained, and we understand that the practitioner concerned was ordered to pay back OHIP \$1,820. At June 30, 1976 no recovery had as yet been received by OHIP.

The second case involved a practitioner who was tried and acquitted on three charges, one of which concerned defrauding OHIP of over \$7,000. Correspondence on file indicated that, as a result of this court decision, The Health Insurance Act and Regulations may be deficient with respect to the meaning of "insured services". The Director, Professional Services Monitoring Branch, OHIP was advised on November 6, 1975 by the Director, Legal Branch that the counsel for OHIP would be examining the matter to determine whether a change in the legislation was necessary to ensure successful prosecution in the future. We recommended that any required changes in legislation be implemented as soon as possible.

The preceding comments were included in our memorandum dated August 30, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views on the subject matter.

112. Possible Conflict of Interest Regarding Ownership of Medical Laboratories, Ministry of Health. An examination of payments to laboratories revealed that two doctors engaged in private practice, who were also medical directors and presidents of laboratories, had referred their patients' tests to their own laboratories. Although there appeared to be a possible conflict of interest in such cases, The Health Disciplines Act does not make specific reference to a conflict of interest in a situation in which a physician owns a laboratory to which he refers work. Although the appropriate regulating bodies for physicians had been asked by Ontario Health Insurance Plan officials to give some direction in this regard, a decision was still awaited at the completion of our audit in December 1975.

Professional misconduct on the part of a physician is defined in section 26 of Ontario Regulation 577/75 under The Health Disciplines Act. One meaning of professional misconduct is having a conflict of interest but what constitutes this is not defined therein. In Ontario Regulation 576/75 relating to dentistry, section 51 states that no member shall engage in the practice of dentistry where there is a conflict of interest, and this is defined as a member having a proprietary interest in a commercial dental laboratory. It therefore appears that the rules regarding medi-

cal laboratories are considerably more lenient than those applicable to dental laboratories.

On September 3, 1976 the Ministry indicated that:

"We have under consideration proposed regulations dealing with physician ownership of laboratories and referral practices which will resolve this situation."

113. Possible Loss of Premium Revenue, Ontario Health Insurance Plan, Ministry of Health. The Province is subject to a possible loss of premium revenue as a result of the Ontario Health Insurance Plan permitting claims to be paid for patients who, in accordance with the information submitted, did not have insurance coverage on the date the service was rendered. Ontario Health Insurance Plan Bulletin #4034 of February 1974 was issued to all medical participants in the Plan which advised that claims of this nature would only be paid until the physician concerned had been notified that coverage was not in effect.

The above notification was to be provided by placing a "J-8" code designation beside the appropriate claims on the Remittance Advice forms when the first such claims were paid. The bulletin also indicated that subsequent claims on behalf of the same individuals would be rejected until the particular eligibility problems had been resolved.

Our prior audit memorandum to the Ministry commented that no attempt had been made to accumulate or evaluate the usage of the "J-8" code. We could find no evidence during our most recent audit to indicate that this situation had changed. While it is conceded, as suggested by the Ministry, that there will not be premium revenue lost respecting claims paid for individuals entitled to free coverage, it is suggested that the actual loss of premium revenue can only remain a matter of conjecture if no evaluation is made of the usage of the "J-8" code.

From information submitted to the Plan concerning admissions to general hospitals reports are prepared, indicating for each hospital those patients who were not insured at the time of their admission. The hospital eligibility testing unit contacts all such persons and advises them that, unless the appropriate premiums are paid to the Plan, they will be responsible for the payment of their hospital bills. In the 1975-76 fiscal year premium payments in excess of \$280,000 were recovered in this respect. Since a system is in operation for recovery of premiums from persons found to be uninsured on admission to hospital, it would appear that consideration should be given to a similar premium recovery arrangement for uninsured persons receiving medical services who can be identified from the "J-8" coding.

Our comments were included in a memorandum dated August 27, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. As a result, we are unable to present the views of the Ministry.

114. Review of Physicians' Earnings, Ontario Health Insurance Plan, Ministry of Health. Statistics are maintained by the Plan on high earning physicians. During our audit twenty physicians were selected for review, being those with the two highest earnings in each specialty in the 1974-75 fiscal year. Fifteen were found to be affiliated with either laboratories or radiological services within hospitals, four were associated with clinics and one was solely in private practice. A review of Plan data on the four associated with clinics indicated that three had little or no clinical practices and one had clinical earnings of approximately one half of his total earnings.

Data concerning the five doctors not affiliated with either laboratories or radiological services in hospitals was referred to the College of Physicians and Surgeons. Reports were subsequently received from the College that investigation of three physicians disclosed no violation of The Health Insurance Act, 1972, section 22(2)(c), which pertains to the provision of services in accordance with accepted professional standards and practice. No comment had been received on the other two at the time of our review.

A brief survey was also made during the audit of the Plan earnings of physicians employed in the Ontario Public Service or as medical officers of health at the various health units. The regulations regarding special licences issued by the College of Physicians and Surgeons state that Public Service licences may be issued to physicians in full time employ of the Crown in right of Ontario or a Board of Health as defined by The Public Health Act. Similar provisions are embodied in Ontario Regulation 577/75 made under The Health Disciplines Act, except for physicians employed by a local board of health of a municipality or a health unit who only qualify for a Public Service licence if they held the same at the time this Regulation came into force. Section 18 of the latter Regulation states that it is a condition of a Public Service licence that the licensee engage in the practice of medicine only in the course of his employment by an employer who is defined elsewhere in that Regulation as the Crown in right of Canada or Ontario or agencies thereof.

The intent of these regulations would seem to be to prevent licensees with Public Service licences from engaging in private practice unless there is a demonstrated need for such activity. We recommended that a review be made of all physicians employed full time in the Ontario Public Service who are registered with the Ontario Health Insurance Plan to ascertain:

- (a) if such registration is necessary;
- (b) the types of licences held by them; and
- (c) the reasons for any to hold other than a Public Service licence.

With respect to the foregoing recommendation, the Ministry replied as follows:

“We have requested through our Human Resources Branch an up to date

listing of physicians (both permanent and full time contract) in order to commence the review as recommended."

115. Subrogation Recoveries, Ontario Health Insurance Plan, Ministry of Health. Section 35 of The Health Insurance Act, 1972 provides that where, as the result of the negligence or other wrongful act or omission of another, an insured person suffers personal injuries for which he receives insured services under this Act, the Plan is subrogated to any right of the insured person to recover the costs incurred for past insured services and the cost that will probably be incurred for future insured services, and the General Manager may bring action in the name of the Plan or in the name of that person for the recovery of such cost.

In many instances of subrogation recoveries legal fees and other expenses are incurred in obtaining settlements of hospital and medical costs. These costs are either deducted from the costs recovered or billed to the Plan separately. Section 60 of Ontario Regulation 323/72, made under The Health Insurance Act, 1972 refers to these costs and states, in part, that:

"... where an insured person obtains a final judgment in an action in which he includes a claim on behalf of the Plan, the Plan shall bear the same proportion of the taxable costs otherwise payable by the insured person, whether on a party and party basis or on a solicitor and client basis, as the recovery made on behalf of the Plan bears to the total recovery of the insured person in the action. . . ."

In the majority of files examined during the review, we could not determine that the costs borne by the Plan had been correctly computed because the total recoveries and total costs for the individual cases had not been recorded. It would appear from this review, however, that costs approximating 10 per cent of the amounts recovered by the Plan have been considered acceptable charges. In two of these settlements, where complete information on total costs and recoveries was available, it was noted that the costs borne by the Plan exceeded the percentage allowable by Ontario Regulation 323/72.

We suggested that a form should be designed to show the taxable costs acceptable by the Plan and the method of their computation in accordance with the related legislation. This form should be forwarded to each lawyer concerned when a new subrogation case is opened with a request to have the form completed and returned to the Ministry, along with full details of total costs and total recoveries, when settlement has been effected.

Under present arrangements the Plan relies on information obtained from non-government sources regarding accidents in which personal injuries are sustained as the result of negligence by other parties. These sources include the insurance industry, which is required to advise the Plan of such accidents under section 40 of The Health Insurance Act, lawyers, hospitals and para medical facilities. It is possible, however, that details of all such accidents are not reported by these

sources and as a consequence any related recoveries of costs would not be realized by the Ministry. This possibility was apparently recognized by Ministry officials who have felt that if copies of accident reports involving injuries were supplied by the Ministry of Transportation and Communications they would be certain that all collisions in the Province resulting in injuries were reported to them. A submission to this effect has been made by the officials concerned in the Ministry of Health, and it is understood that the Ministry of Transportation and Communications has now agreed to report to the Ontario Health Insurance Plan all accidents in the Province resulting in injuries. We understand that the new arrangements are to be implemented on October 1, 1976.

Our comments were included in a memorandum dated August 27, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. As a result, we are unable to present the views of the Ministry.

116. Substantial Payments to Insured Persons re Psychotherapy Services, Ontario Health Insurance Plan, Ministry of Health. A review of payments to insured persons indicated that substantial amounts were being paid with respect to psychotherapy services rendered on a regular basis. For example, in 1974-75 total payments for such services exceeded \$5,500 in each of thirty-seven instances, for a total expenditure of \$225,476. In twelve of the thirty-seven cases examined the individuals receiving the services were physicians, mainly psychiatrists and general practitioners. In fact, a significant part of the Plan earnings of a few physicians was derived from insured services provided to fellow practitioners.

It is understood that under a predecessor non-government medical insurance plan a limit was imposed on the number of psychotherapy treatments paid in a stipulated period. However, no such limitation exists under the government plan. We recommended that psychotherapy services be reviewed with a view to again limiting the number of treatments paid in a stipulated period.

The Ministry subsequently commented as follows:

“We presume that audit representatives saw our proposal on the subject of psychotherapy services which to date is not acceptable to the Association. However, this is one of several items that we are continuing to discuss with the Ontario Medical Association.”

117. Waiver of Licensing Requirements, Ministry of Industry and Tourism. In previous Reports we have commented as follows:

“The Tourism Act, 1972 requires a person operating a tourist establishment to obtain a Tourist Establishment Licence, and the Regulations made under the Act govern the issuance of licences and the payment of the related fees. It has been the policy of the Ministry to waive this requirement for any establishment that is licensed under The Liquor Licence Act. Consideration

should be given to making provision for these exemptions in The Tourism Act, 1972 to ensure that Ministerial policy does not contravene the legislation."

A Ministry reply to this comment was issued on July 14, 1975, which stated, in part, that:

"The Justice Policy Field Committee of Cabinet has asked for recommendations to resolve the practical and legislative conflict arising from the Ministry's practice of not licensing tourism establishments which are licensed under The Liquor Licence Act."

and,

"It is expected that a recommendation will be ready for presentation to the Justice Policy Field Committee of Cabinet by the end of July 1975."

During the period under review the Ministry continued the practice of waiving the licensing requirement for any establishment that was licensed under The Liquor Licence Act. On March 2, 1976, an opinion on this matter was issued by the Provincial Secretariat for Justice which recommended that:

"Responsibility for tourist establishments would rest at the municipal level with municipalities deciding whether or not to issue a tourist licence."

We felt that positive steps should be taken to resolve this matter without further delay in order to ensure that Ministry policy does not contravene the related legislation. We were subsequently advised by the Ministry that:

"Positive steps to resolve the question of Tourist Establishment Licensing and related fire inspections are continuing to be taken.

"The June 10, 1976 minute of the Cabinet Committee on Justice directed that recommendations on the entire matter of licensing tourist establishments and related fire inspections be submitted to Cabinet for decision. A report has been submitted to Cabinet and is expected to be included on an August, 1976 Cabinet Agenda."

118. Improvements Recommended in Inventory Control, Ministry of Labour. A review of the equipment inventory was carried out and the following comments relate to certain omissions from the January 1976 inventory control printout and to other audit findings:

- (a) A number of cameras and pocket calculators held by some field offices did not appear on the printout. We understood that the field offices maintain records of equipment allocated to them and we recommended that these records be reconciled with the central inventory control to ensure that all such equipment is properly accounted for.
- (b) Several typewriters for which identification numbers had been assigned

but not attached were also excluded from the inventory printout pending confirmation from the supplier's representative that the equipment had been received by the Ministry in proper working order. To insure that such equipment is accounted for we recommended that the regular inventory listing be supplemented by a list of equipment on which identification numbers had been assigned but not attached.

- (c) A number of vehicles owned by the Ministry were recorded on the Equipment Services Record cards but excluded from the printout. It was understood that this inventory list would be amended to include the vehicles previously omitted.

The stationery stores inventory and records were checked and we noted that withdrawals by the Administrative Services Branch were not signed for by the recipient although they were approved at a later date. We felt that control would be improved if all withdrawals were signed for by the recipient at the time of issue.

The Ministry subsequently advised as follows:

- “(a) The auditor's recommendation has been accepted so that the records of equipment maintained in the field offices are being reconciled with the central records to ensure an accounting of all equipment.
- “(b) our procedure for assigning inventory identification decals to typewriters has been revised to ensure the level of control suggested by the auditor.
- “(c) The Ministry's computer based inventory of government owned vehicles has been reconciled with the Equipment Services Records cards so that all omitted items have been picked up as suggested by the auditor.”

and

“The auditor's suggestions regarding the withdrawal of items from inventory stores for the use of Administrative Operations Section have been implemented. The recipient of these items is signing for the items at the time of issue.”

119. Apparent Under-Utilization of Aircraft, Ministry of Natural Resources. The flight reports of three passenger-carrying aircraft based in the Toronto area were reviewed for the period from April 1, 1975 to March 31, 1976 to test conformity to the operating terms of the Ministry's commercial air service licence and to analyse the aircraft usage. Two of the aircraft subject to review were the property of the Ministry while the third aircraft had been leased from a commercial organization by the Ministry at an approximate annual rental of \$216,842, exclusive of operating costs and insurance.

This review indicated that the three aircraft completed a total of 369 flights,

excluding those for testing purposes, during the 1975-76 fiscal year for a total flying time of 997.6 hours. Of these totals, the rental aircraft was employed for 121 flights which required 349 hours of flying time.

We suggested that the Ministry should review the utilization of these aircraft to re-assess the necessity of maintaining three flight units for passenger service. We felt also that consideration should be given to a study to determine if any financial benefit would be gained through the exercise of the purchase option contained in the lease agreement for the rental aircraft.

Our comments were included in a memorandum dated August 31, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views in the matter.

120. Home Buyers Grants Administered by Ministry of Revenue. The Ontario Home Buyers Grant Act, 1975 which came into force on April 8, 1975, together with the Ontario Regulations made thereunder, provide for the payment of grants to first-time home buyers. Funds for the payment of these grants in the 1975-76 fiscal year were appropriated by the Legislature under the Home Buyers Grant Program of the Ministry of Housing. The administration of this grant system was carried out by the Ministry of Revenue with the total grant expenditure being transferred by journal entry to the Ministry of Housing. Grants in excess of \$84.7 million were made in the fiscal year ended March 31, 1976 and are reflected on page 143 of Volume 1 of the 1975-76 Public Accounts.

The maximum grant of \$1,500 is payable in three instalments, each on the application of the home buyer: \$1,000 upon approval of the original application following occupancy of the housing unit and \$250 on each of the first and second anniversaries of the date of approval. An application for a grant must be accompanied by copies of the agreement of purchase and, where applicable, the registered deed to the property. However, other critical information required on the application, such as whether it is a first-time home to be used as a principal residence and the date residency commenced, is usually not supported by independent documentation, and reliance is placed to a large extent on the integrity of the applicant in submitting correct information.

The applications are reviewed by the Operations Section which contacts the applicant if the information provided is incomplete or unclear. Doubtful and selected cases are referred to the Benefits Control Section for pre-audit and, if necessary, field investigation.

The Benefits Control Section had pre-audited 478 applications to March 31, 1976 and rejected 105 of these as ineligible. In addition, this section together with a special group, a total of 30 persons, examined on a post-audit basis 1,730 paid applications and found that 167, or approximately nine per cent, were ineligible

for payment. At the time of our review recovery procedures were in progress on all of these payments.

In the course of our examination of applications we noted that, in the early part of the program, criteria on grants for housing units in condominiums required that the date of the ownership registration must fall within the period of eligibility. Subsequently, the Ministry required that the date of occupancy must fall within the period of eligibility in accordance with its interpretation of Regulation 310/75 filed on April 24, 1975. The Regulation was deemed to have come into force on April 8, 1975. As a consequence, some applications previously rejected under the original criteria were now eligible for grants, and others previously approved and grants paid were now ineligible. In these latter cases recovery procedures were initiated.

The Ministry's accounts receivable records show that, from the inception of this program to March 31, 1976, recovery procedures were initiated with respect to 101 grants totalling \$101,000. During this period \$32,130 was recovered and 4 grants totalling \$4,000 were found to be valid, leaving a balance receivable of \$64,870 at March 31, 1976.

We understand that the Benefits Control Section, together with the special group, will continue its program of reviewing applications during the 1976-77 fiscal year.

121. Recommendation re Ontario Police College Library Fund, Ministry of the Solicitor General. In December 1974, the Richard Ivey Foundation advised the Ontario Police Commission that a \$100,000 grant had been authorized for the acquisition of books and journals for the library of the new Ontario Police College at Aylmer. It was agreed that the funds would be administered by the Ontario Police Commission and would be payable in two instalments of \$50,000 each. The first instalment was paid on June 1, 1975 and the second instalment on January 1, 1976. The grant was designated as the Ontario Police College Library Trust.

This grant was the subject of comment by the Internal Audit Branch of the Ministry in a "Report on an Audit of the Ontario Police College, Aylmer, for the period ended August 31, 1975" which was issued to the Deputy Solicitor General on December 11, 1975. The Report stated, in part, that:

"The Ontario Police Commission, at the time of audit had not set up proper accounting records or controls to administer this fund. . . ."

and

"It is strongly recommended that the Ontario Police College Library Fund be transferred to the Consolidated Revenue Fund and designated as a special trust account. In this way the trust fund can be separately identified, earn interest at a reasonable rate and all expenditures from the fund can be subjected to formal Ministry accounting and purchasing controls."

No action had been taken with respect to this recommendation at the termination of the current audit review, May 31, 1976, nor had adequate records been established by the Ontario Police Commission to provide a measure of control over the trust funds. We felt that the recommendations made by the Internal Audit Branch should be adopted without further delay.

The foregoing comments were included in our memorandum dated September 2, 1976 to the Ministry. As at the date of this Report, September 30, 1976, the Ministry had not had sufficient time to respond. We are, therefore, unable to present the Ministry's views in the matter.

122. Costs Not Yet Recovered, Ministry of Transportation and Communications. In our 1974-75 Report (section 118) we commented that a portion of land and construction costs in connection with construction of Highway 427 was chargeable to the Borough of Etobicoke. The amount recoverable under Contract 72-154 was subsequently determined at \$574,616 and a billing was issued to the Borough in that amount on May 28, 1975. This amount was still outstanding at the conclusion of our most recent audit, April 30, 1976, and we recommended that recovery efforts be intensified.

Our 1974-75 Report (section 121) also made mention of an agreement dated June 16, 1971 under which the Minister of Transportation and Communications agreed to alter the pattern of a service road and construct an additional section of road for the benefit of the Council of an Indian Band. In consideration of this, the Council was to pay the Province an amount of \$50,000 prior to the execution of the agreement. The Minister of Indian Affairs and Northern Development for Canada was to have been a party to the agreement but apparently had not signed it. Also, the Council did not pay the \$50,000 to the Province but nevertheless the road work was completed at a cost in excess of \$53,000. At the completion of our most recent audit the situation remained unchanged. Meetings have been held with the Council, the last being on April 13, 1976, but the Ministry has been unable to recover these costs. We recommended that this matter be pursued further.

During this most recent audit we also noted that the Ministry's records as at January 12, 1976 showed a balance of \$862,565 due from The St. Lawrence Seaway Authority. The major portion of this balance represented the recovery of costs of the East Main Street tunnel crossing in Welland. The amount of \$464,194 has been outstanding since December 14, 1972. In view of the large amount involved and the length of time this account has been outstanding, we urged that the situation be resolved as soon as possible.

On August 25, 1976 the Ministry responded to our comments as follows:

"With reference to the portion of the land and construction costs in connection with the construction of Highway #427, chargeable to the Borough of

Etobicoke, the amount recoverable under contract 72-154 in the amount of \$574,616.00 has now been received.”

and

“The Auditor’s reference to the agreement dated June 16, 1971 between the Minister of Transportation and Communications and the Council of an Indian Band in the Sarnia area conclude with a recommendation that the matter be pursued further. It is only fair to comment that the matter has been vigorously pursued by the Regional Director in the Southwestern Region and our Legal Services staff from the very beginning, without any success to date. The Indians do not deny that the money is owing but, have indicated that they will not sign the agreement nor will they pay the funds until a dispute over Highway #40, which passes through the Indian territory, has been resolved. Negotiations between the Ministry staff and the Council of the Indian Band continue, but so far there is no change in the position.”

and

“Negotiations with the St. Lawrence Seaway Authority regarding the balance of \$862,565.00 outstanding as at January 12, 1976, are being continued. After further pressure an amount of \$500,000.00 was received in June 1976 towards the balance outstanding on the East Main Street Tunnel crossing and in July 1976, \$46,000.00 was recovered re Port Colborne, thus completing recovery on the Port Colborne project. The balance of approximately \$316,000.00 outstanding on the East Main Street Tunnel contract will take some time to finalize because of a very large claim outstanding from the contractor, which the Ministry staff is negotiating directly.”

123. Delayed Settlement of Amount Recoverable under GO Transit Bus Service Agreement, Ministry of Transportation and Communications. In our 1973-74 Report (section 128) we made the following comment with respect to GO Transit Bus Services:

“An agreement between the Ministry and a transportation company was made on April 6, 1971 to operate certain bus services between Toronto and outlying areas. This agreement expired on December 31, 1972 and, as at May 31, 1974, a new agreement had not been executed. In the interim the service is being operated under the terms of the expired agreement. Under clause 12 of the agreement, when net profits of the transportation system exceed \$600,000 in either of the calendar years 1971 or 1972, a formula will be determined to allow the Ministry to participate in any net profits over and above \$600,000. In the year ended December 31, 1972, the excess net profits were \$454,197 and the Ministry has requested a 37½ per cent share in the amount of \$170,325. There appears to be no urgency on the part of the transportation company to effect a settlement or execute a new agreement.”

This situation was unchanged at the conclusion of our most recent audit (September 30, 1975). The Ministry had continued to request a 37½ per cent share in the excess profits and this share was reported by an official of the Ministry to be approximately \$280,000 for the two years ended December 31, 1973. However, we were advised that the Toronto Area Transit Operating Authority was then in the process of negotiating a settlement under clause 12 of the old agreement. The Authority was also endeavouring to negotiate the terms of a new agreement.

On January 27, 1976 the Ministry responded as follows:

"In response to the comment concerning the agreement with a transportation company which expired on December 31, 1972, it is anticipated that a new agreement will be forthcoming in the very near future. The Toronto Area Transit Operating Authority, on behalf of the Ministry, has now reached agreement in principle, to the terms and conditions (including the settlement of Clause 12) to be attached to an extension of the expired agreement to February 15, 1976. At that time, a new agreement between the Authority and the operator will come into force. The draft agreements are presently being prepared."

124. Lack of Adequate Control Procedures re Licensing of Motor Vehicle Inspection Stations, Ministry of Transportation and Communications. A relatively new Ministry project, which commenced on September 1, 1974, included the licensing of motor vehicle inspection stations, the registration of motor vehicle inspection mechanics and the sale of safety standard certification forms. In our prior audit of relevant records and procedures, we had observed that the computer programs in effect at the time of the audit did not provide for any financial controls over the number of licences and certificates issued or the number of mechanics registered. At the commencement of the project the computer programs had not been finalized and, as a consequence, requests for further supplies of certificates had to be filled at the District Office level rather than through the Main Office. However, since no records of District Office issues were maintained at Main Office, even the control over the number of issued certificates was lost.

The Ministry subsequently advised that:

"... the required automated controls are being introduced as quickly as they can be implemented. In the meantime the required records are being maintained manually. A full audit trail program by computer should be available by June or July, 1975. . . ."

At the time of the current audit review, the proposed automated controls had not been introduced and the manual controls, which were instituted during the period, had been discontinued. As a consequence there was still no control being exercised over the certificates issued to, or by, the District Offices.

On May 25, 1976 the Deputy Minister wrote to us as follows:

“... the Auditor comments on the lack of control being exercised over the number of licences and certificates issued or the number of mechanics registered at Motor Vehicle Inspection Stations. I am advised that these controls are now in place and provide reports as to the number of safety standard certificates issued to a station and fees received for same. In addition, they also allow for the determination of the number of certificates issued to a District Office for their contingency supply and the number of certificates issued therefrom by the District to the Motor Vehicle Inspection Station.”

125. Severance Allowance Paid, Ministry of Treasury, Economics and Inter-governmental Affairs. Statutory payments for Urban and Regional Planning consist mainly of the salaries of the chairmen of the various regional municipalities. The first chairman of the Regional Municipality of Sudbury resigned as at December 31, 1975. Salary and related payments in respect of this position during the year ended March 31, 1976 amounted to \$69,763, as reflected in Volume 3 of the 1975-76 Public Accounts. This total consisted of the following:

Salary	\$36,914
Employee Benefits	3,412
Vacation Credits	6,062
Severance Allowance	23,375
	<u>\$69,763</u>

Payment of the severance allowance was authorized in lieu of salary by Order in Council 3355/75 dated December 3, 1975. The amount of \$23,375 so authorized was equivalent to six months' salary. A new chairman of the Regional Municipality of Sudbury was appointed effective January 1, 1976 by Order in Council 3447/75 for a one year term at an annual salary of \$30,500.

The Standing Committee on Public Accounts in its Final Report dated February 1975 recommended that guidelines be laid down in regard to the termination of employment contracts. However, the payment of this severance allowance did not appear to be based on The Public Service Act or Regulations, or any stated guideline.

The Ministry advised as follows:

“The severance allowance paid to the Chairman of the Regional Municipality of Sudbury was based on section 94(1) of Regulation 749 in the absence of other guidelines for the termination of employment contracts. The Chairman of the Regional Municipality of Sudbury had been in continuous employment with the Public Service since 1949 and was entitled to severance pay up to a maximum of one half of his salary when he was terminated by Order-in-Council December 3, 1975.

“The Order-in-Council was drawn up after consultations with the Chairman of the Civil Service Commission, the Management Board, the Cabinet Office, and the Deputy Attorney General”.

It should be pointed out that the recipient of the above-mentioned severance allowance also received the following attendance gratuities:

- (a) \$10,278 in May 1969 following resignation from the Civil Service Commission and appointment to the Ontario Water Resources Commission. This amount was calculated in accordance with the Regulations under The Public Service Act and represented the equivalent of over four months' salary at the rate in effect at the time of resignation.
- (b) \$7,792 in August 1976 following resignation as Chairman of the Regional Municipality of Sudbury. This amount was approved by Order in Council 2078/76 and represented the equivalent of two months' salary at the rate in effect at the time of resignation.

Additionally, at the request of the Government the party concerned moved from Sudbury to Toronto prior to his resignation as Chairman of the Regional Municipality of Sudbury effective December 31, 1975. This move was completed in early December at an incurred cost to the Province of \$11,295. At the date of this Report, September 30, 1976, all but \$487.50 of these costs had been paid. Payment of the outstanding amount was being withheld pending receipt of a waiver from the former Chairman disclaiming any rights he might have "to claim any further expenses or emoluments whatsoever from the Province of Ontario."

126. Board of Internal Economy. Section 85 of The Legislative Assembly Act reads, "The Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same vote and the Provincial Auditor shall make special mention in his report of any transfer under this section". In respect of the 1975-76 Expenditure Estimates, the Board of Internal Economy authorized the transfers of the following sums within Vote 201:

- (1) \$19,000 from Item 1—Speaker: to Item 2—Clerk of the Legislative Assembly \$10,400, and to Item 10—Press Clipping Services \$8,600.
- (2) \$116,500 from Item 4—Hansard, and \$12,500 from Item 5—Sessional Requirements, to Item 6—Members' Indemnities, Allowances, Supplies and Communications.
- (3) \$28,000 from Item 7—Members' Support Services to Item 9—Administration.
- (4) \$69,000 from Item 9—Administration: to Item 7—Members' Support Services \$45,000, and to Item 8—Caucuses' Support Services \$24,000.

127. Management Board Orders. Section 5 of The Management Board of Cabinet Act, 1971 provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements

of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

Ninety-three Management Board Orders were issued with respect to the 1975-76 fiscal year. In total, expenditure of \$289,905,005 was so authorized. The amounts authorized by Management Board Orders averaged approximately \$3,100,000 and ranged from \$15,000 to \$57,400,000. A listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 5 to this Report. Every item included in each of the ninety-three Management Board Orders is detailed in the Exhibit.

128. Special Warrants. Section 4 of The Management Board of Cabinet Act, 1971 provides for the issue of a Special Warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

One Special Warrant was issued during the year ended March 31, 1976. It authorized an expenditure of \$92,950 for the purpose of settling a claim by the North Bay Police Department for expenses incurred in the investigation of and search for an escapee during the period August 2nd to September 1st, 1975. The full amount of \$92,950 was expended.

COMMENTS ON CROWN AGENCY TRANSACTIONS

129. Introductory Comments. The term Crown Agency for purposes of this segment of the Report includes Boards, Commissions, Crown Corporations and other operations which are audited by the Provincial Auditor on an annual basis. Also included are similar agencies audited by public accountants subject to direction or review by the Provincial Auditor. A listing of the Agencies involved for the year ended March 31, 1976 is included as Exhibit 10 to this Report. The audit of the various Agencies included a general review of accounting procedures and such tests of accounting records and supporting evidence as were considered necessary in the circumstances.

Excluded from this segment of the Report are Crown Agencies which are audited by public accountants without any involvement by the Provincial Auditor. Agencies included in this category have been noted in section 2 of this Report. Also excluded from this segment of the Report are Corporations which are specifically described as not being Crown Agencies under governing legislation. Such entities, which include Ontario Energy Corporation and The Ontario Transportation Development Corporation, are also audited by public accountants without any involvement by the Provincial Auditor. The auditors in these instances are elected by the shareholders in accordance with the provisions of The Business Corporations Act.

130. Inactive Crown Agencies. As indicated in our 1974-75 Report (section 137), one of the inactive Agencies, the Health Insurance Registration Board, was dissolved on July 8, 1975 by repeal of the relevant legislation. The other three Agencies remained inactive at March 31, 1976. The following comments are pertinent thereto:

ONTARIO DEPOSIT INSURANCE CORPORATION—On July 6, 1976 the Minister of Consumer and Commercial Relations advised:

“A new Credit Unions Act has been introduced to the Legislature, but I am still awaiting proposed Federal legislation relative to deposit taking institutions.

“Accordingly, I would still prefer to defer until a later date, any decision with regard to the future of the O.D.I.C.”

THE SHERIDAN PARK CORPORATION—On June 4, 1976 the Executive Director, Administration Division, Ministry of Industry and Tourism notified us as follows:

“The draft Bill to provide an Act to repeal The Sheridan Park Corporation Act has been prepared (a copy attached), and it has been submitted for inclusion in the Legislation schedule.

“No doubt it will be tabled in due course.”

THE ONTARIO TELEPHONE DEVELOPMENT CORPORATION—In a memorandum dated June 10, 1976 the Deputy Minister of Transportation and Communications stated:

“There is still the possibility that it may be necessary to reactivate the Ontario Telephone Development Corporation. We do, however, anticipate a resolution of a pending problem within the next several months which would make the revocation of the Act feasible.

“I will be pleased to inform you immediately on the satisfactory resolution of the problem. In the interim, we would appreciate it if you would defer any action in respect of the Ontario Telephone Development Corporation Act until such time.”

131. Newly Established Crown Agencies. The following Crown Agencies were established during the 1975-76 fiscal year.

COMMISSION ON ELECTION CONTRIBUTIONS AND EXPENSES—established under The Election Finances Reform Act, 1975 which was given Royal Assent on May 2, 1975. This Act was passed for the purpose of regulating political party financing and election contributions and expenses.

It is the duty of the Commission to ensure that every registered constituency association and registered candidate has appropriate auditing services in order to properly comply with the Act. Other duties include the reimbursement of candidates for election expenses in accordance with the provisions of the legislation.

NORTH PICKERING DEVELOPMENT CORPORATION—established effective July 30, 1975 as a corporation without share capital under The North Pickering Development Corporation Act, 1974. The Corporation was established for the purposes of preparing a Plan for Development and of developing the North Pickering Planning Area in accordance with such Plan.

OMBUDSMAN—established effective July 10, 1975 under The Ombudsman Act, 1975. The function of the Ombudsman is “to investigate any decision or recommendation made or any act done or omitted in the course of the administration of a government organization and affecting any person or body of persons in his or its personal capacity”.

SUPERANNUATION ADJUSTMENT FUND—established effective July 18, 1975 under The Superannuation Adjustment Benefits Act, 1975. The regulations under the Act designate the pension plans to which the Act applies. Pension plans so designated as at March 31, 1976 include the Teachers’ Superannuation Fund and certain contributors to the Public Service Superannuation Fund.

Contributors to applicable pension plans contribute one per cent of their salaries to the Superannuation Adjustment Fund. These contributions are matched by the employer. Recipients of benefits under applicable pension plans receive superannuation adjustment benefits which are paid out of the Fund. The superan-

uation adjustment benefits are calculated in accordance with the provisions of the relevant legislation and are designed to adjust, within stipulated limits, regular pension benefits for changes in the Consumer Price Index for Canada.

132. Audit of Newly Established Crown Agencies. The legislation under which the Commission on Election Contributions and Expenses, the North Pickering Development Corporation, the Ombudsman and the Superannuation Adjustment Fund were established, requires that the accounts and financial transactions of each Agency are to be audited annually by the Provincial Auditor. Accordingly, an audit of each Agency was completed for the period ended March 31, 1976.

133. Additional Crown Agency Involvement. During the 1975-76 fiscal year the Provincial Auditor's audit responsibilities were extended to include the following agency:

THE OWEN SOUND TRANSPORTATION COMPANY, LIMITED—incorporated as a private company on March 10, 1921. The Company's outstanding capital stock was purchased by the Ontario Northland Transportation Commission in October 1973.

The Company provides a ferry service for passengers and vehicles between Tobermory on the mainland and South Baymouth on Manitoulin Island.

Prior to 1975 the Company was audited by a firm of public accountants. The Provincial Auditor was appointed auditor at a special general meeting of shareholders held on April 23, 1975. In accordance with this appointment an audit of the accounts and financial transactions of the Company has been completed for the year ended December 31, 1975.

134. Method of Audit Reporting. A report was prepared on each Crown Agency audit performed during the year and was submitted to the Agency involved and to the responsible Minister. Observations and comments were made on matters noted during the audits. Included in the reports were recommendations for improvement in internal controls and in the general efficiency of the accounting process. Matters raised which, in our judgment, are of interest or significance to the Legislative Assembly are included in subsequent sections of this Report. Not all of the subsequent comment is of critical nature; many of our comments are for informative purposes only. Generally speaking, the caption of the section will indicate whether the content is critical or informative.

While we do not specifically request each Agency to respond to our audit findings and recommendations, a number of Agencies do furnish written replies to our reports. Relative views and opinions expressed in replies received from the Agencies have been included for informative purposes without further comment by this Office, but will be reviewed during subsequent audits of the respective Agencies.

135. Suggested Corrective Action and Other Recommendations Contained in 1974-75 Provincial Auditor's Report. It is our practice to follow up on suggested corrective action and recommendations during our next audit of the particular Crown Agency. The status of suggested corrective action and recommendations contained in our 1974-75 Report is indicated in Exhibit 11 to this Report.

136. Alcoholism and Drug Addiction Research Foundation—Various Recommendations. At March 31, 1976 the balance sheet of the Foundation reflected assets of \$1,407,590 and liabilities of \$1,202,217, resulting in a surplus of \$205,373. The Foundation's statement of operations for the year ended March 31, 1976 indicated income and expenses in the amounts of \$11,163,407 and \$10,543,392 respectively. The former figure included grants from the Province of Ontario in the amount of \$10,114,900.

In our previous audit report to the Foundation comment was made regarding the inconsistency in applying competitive bidding procedures in certain areas. Our current year's review of the procedures used in purchasing major pieces of scientific equipment indicated that, although the staff of the department involved purported to have made technical and financial comparisons, there was no indication of these efforts on file, and the purchasing office was not fulfilling its required function. We recommended that a policy be laid down which requires that competitive bidding procedures must be undertaken, preferably by the purchasing office, for all items over a certain value.

The Foundation invests its surplus funds in term deposits. Such term deposits, which at times are in excess of \$1,000,000, amounted to \$600,000 at March 31, 1976, with interest rates ranging from 9.22 per cent to 10.10 per cent. On the other hand, the Foundation had a bank loan payable at March 31, 1976 in the amount of \$109,744 bearing interest at 11 per cent. In view of the interest differential, we recommended that the Foundation consider discharging this bank loan, hence effecting a savings.

In a memorandum dated April 15, 1976, the internal auditor called attention to the fact that numerous differences existed between the perpetual inventory records and the physical count. He also commented upon the lack of satisfactory security in the stores area. We recommended that this memorandum be reviewed and corrective action taken as required.

During the course of the year our staff made a review of the Foundation's data processing procedures. A report thereon was sent to, and a response received from, the Director of Administration. One of our observations concerned the need for senior management to exercise direct control over significant system development and changes. The response agreed that a policy in this respect should be the responsibility of senior management, but, as yet, no policy statement has been promulgated. We were informed that the other matters mentioned in the report (e.g. restriction of access to systems and program manuals and computer room fa-

cilities, written procedural instructions for user departments, etc.) were being attended to.

137. Algonquin Forestry Authority—Questionable Expenditure. At March 31, 1976 the balance sheet of the Authority reflected assets of \$643,184 and liabilities of \$1,143,649, resulting in a deficit of \$500,465. The Authority's statement of income and expense for the year ended March 31, 1976 indicated income and expenses of \$1,100,663 and \$1,526,527 respectively. The financial statements of the Authority are reproduced in Volume 2 of the 1975-76 Public Accounts.

During our review of the Authority's financial transactions for the year we noted that the directors, in recognition of services performed, approved the disbursement of funds for a gift to a civil servant who, while in the employ of the Ministry of Natural Resources, was assigned to serve the Authority as pro tem Secretary. It is our opinion that the Authority should avoid making gifts to persons in the Ontario Public Service in recognition of services performed in circumstances where the services so rendered are duty assigned.

Upon examination of recruitment and relocation expense we also observed that, contrary to Government of Ontario personnel policy and procedures, new employees of the Authority, originally from the private sector, were reimbursed for legal fees incurred in the purchase of a residence, for more than 80 per cent of transfer costs, and for interim living expenses. We recommended that in future the Authority's personnel policy and procedures should comply, where appropriate, with the provisions of the Province of Ontario Manual of Administration.

The Authority responded to our observations on August 4, 1976 and advised:

"In the matter of the gift to a Civil Servant, repetition of this action was averted in the case of the acting Treasurer. Now that the Authority is fully staffed, it is unlikely that similar situations will recur."

138. Legislative Assembly Retirement Allowances Account. At March 31, 1976 the balance in the Account amounted to \$9,623,508. For the 1975-76 fiscal year receipts and disbursements totalled \$8,231,771 and \$519,235 respectively. A statement of the Account is contained in Volume 1 of the 1975-76 Public Accounts.

As has been mentioned in several previous Reports, the Legislative Assembly Retirement Allowances Account is not considered a pension plan as defined under The Pension Benefits Act. It is, therefore, not subject to the reporting requirements relative to financial soundness, or to the funding stipulations, outlined in the regulations under The Pension Benefits Act. However, the Account possesses the essential elements of a pension plan. Consequently, the financial

soundness of the Account is being reviewed periodically, and steps have been taken to liquidate any unfunded liabilities so disclosed.

The most recent actuarial valuation of the Account was made as at March 31, 1974. This valuation revealed an unfunded liability or deficiency of \$7,701,128. During 1975-76 the Province of Ontario paid \$7,700,000 into the Account for the purpose of eliminating this actuarial deficiency.

139. The Niagara Parks Commission. At October 31, 1975, the balance sheet of the Commission reflected assets of \$16,358,000, liabilities of \$705,000 and equity of \$15,653,000. For the year ended October 31, 1975 the Commission's Statement of Income and Expenditure recorded income and expenditure in the amounts of \$5,416,000 and \$4,146,000 respectively, resulting in an excess of income over expenditure for the year of \$1,270,000.

A corporation entitled "The Commissioners for the Queen Victoria Niagara Falls Park" was established in 1887 under The Queen Victoria Niagara Falls Park Act. This Act was repealed in 1927 by The Niagara Parks Act under which the corporation was continued and redesignated as The Niagara Parks Commission. As set out in section 4 of the Act, it is the duty of the Commission to manage, control and develop the Parks. The "Parks" area is defined in the legislation.

The Commission has the power to construct and operate recreational facilities, restaurants, souvenir shops and other facilities relative to the operation and maintenance of the Parks. The Commission may also make agreements with persons for the establishment and operation by them of any works or services in connection with the Parks. Other powers include the right to construct buildings and other structures and, subject to the approval of the Lieutenant Governor in Council, the right to purchase, lease or sell any land or interest therein.

The expenses of the Commission are paid out of revenue received. Revenue is received by the Commission from various sources. A major portion is derived from the operation of the gift shops, restaurants and other attractions. By regulation under the Act the fees, tolls and admissions for the enjoyment of the Parks may be charged by the Commission as posted or published from time to time. The Commission also derives substantial revenue from water rentals under agreements with Ontario Hydro and the Canadian Niagara Power Company Limited.

The excess of revenue over expenditure is retained by the Commission unless otherwise directed by the Lieutenant Governor in Council. The governing legislation provides that any surplus moneys shall, on order of the Lieutenant Governor in Council, be paid to the Treasurer of Ontario and shall form part of the Consolidated Revenue Fund.

The following summary related to the Commission's year-end inventories of salable merchandise is presented for informative purposes.

<i>October 31</i>	<i>Year-End</i>	<i>Cost of</i>	<i>Inventory as a</i>	<i>Percentage Increase</i>	
	<i>Inventory</i>	<i>Sales</i>	<i>Percentage of</i>	<i>over Preceding Year</i>	<i>Cost</i>
	\$	for Year	Cost of Sales	Inventory	of Sales
	\$	\$			
1975	682,431	3,251,040	21.0	53.1	18.5
1974	445,782	2,742,598	16.2	47.1	18.2
1973	303,043	2,321,131	13.1	9.0	17.6
1972	278,003	1,973,376	14.1	14.4	6.2

From the above, it can be seen that there has been a significant increase in inventories for both of the past two years. We were advised that several factors have contributed to this increase, some of which were: (1) inflation; (2) the opening of a new addition to Table Rock House; (3) the stocking of new items not previously carried; and (4) a desire to have a complete selection of items on hand during the winter season.

We recommended that management review their policy in this area to determine if the increased investment in inventories was still warranted.

The Commission responded to our recommendation as follows:

"A review by our Accounting Department of the four years mentioned in your report produced the following information concerning inventories:

	<i>1975</i>	<i>1974</i>	<i>1973</i>	<i>1972</i>
	\$	\$	\$	\$
Average monthly inventory	866,095	669,871	532,106	479,934
Cost of Sales	3,251,040	2,742,598	2,321,131	1,973,376
Inventory Turn-over	3.8	4.1	4.3	4.1

"If our additional investment of \$75,000.00 in the 1975 inventory were taken out, 1975 would also show an inventory turnover of 4.1.

"During the past two years, it has been considered advisable to purchase certain goods at the prices prevailing in the current year, in view of likely price increases effective in the following year. Another item which influenced us in carrying larger inventories was the practice of ordering goods in short supply when they were available."

140. Northern Ontario Development Corporation—Write-Off of Investment in Minaki Lodge Resort Ltd. At March 31, 1976 the balance sheet of the Northern Ontario Development Corporation reflected assets of \$33,894,178 and liabilities of \$36,092,803, resulting in a deficit position of \$2,198,625. For the 1975-76 fiscal year income and expense, as shown by the Corporation's related financial statement, totalled \$1,071,807 and \$2,136,167 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1975-76 Public Accounts.

In previous Reports we noted that Order in Council 105/74 had been passed on January 9, 1974 and had authorized the Province of Ontario, through the Northern Ontario Development Corporation, to "acquire ownership of Minaki

Lodge Resort Ltd. and discharge all of its liabilities, improve and operate Minaki Lodge Resort Ltd. and do all such other things as may be deemed expedient and necessarily incidental thereto". We further noted that the Order in Council authorized the Province of Ontario to provide Northern Ontario Development Corporation with a sum not exceeding \$5,000,000 for the stated purposes. As at March 31, 1975, the relevant disbursements by the Corporation totalled \$2,896,237. During the 1975-76 fiscal year a further \$2,103,763 was disbursed, thereby increasing the Corporation's investment in Minaki Lodge Resort Ltd., and its affiliate Minaki Development Company Limited, to the authorized maximum of \$5,000,000.

Management Board of Cabinet authorized the provision of \$5,000,000 to the Corporation for the purpose of writing off its investment in Minaki Lodge Resort Ltd. and affiliated company. The write-off was recorded by the Corporation, with the result that a nil investment balance is reflected on the balance sheet of the Corporation at March 31, 1976.

Funds were also provided to Minaki Lodge Resort Ltd. through appropriations of the Ministry of Industry and Tourism. Accordingly, in addition to the aforementioned amount of \$5,000,000, grants of \$895,000 were authorized by Management Board of Cabinet to cover construction for Minaki Lodge. These grants were charged to the expenditure appropriations (Vote 2004-2) of the Ministry, for the year ended March 31, 1976, as reflected in Volume 1 of the 1975-76 Public Accounts.

A further amount of \$1,970,000 has been provided as part of Vote 2104-2 of the Ministry's 1976-77 expenditure estimates, consisting of grants of \$400,000 to cover the operating deficit for the lodge and \$1,570,000 to cover construction for the lodge.

The combined reported losses of Minaki Lodge Resort Ltd., and its affiliate, Minaki Development Company Limited, amounted to \$293,640 for the year ended September 30, 1975. These losses increased the combined reported deficits of the two companies to \$1,615,698 at September 30, 1975. The deficits of the two companies have not been reflected in the Corporation's accounts.

Minaki Lodge Resort Ltd. is audited by public accountants. The auditors provided an unqualified report on the financial statements for the year ended September 30, 1975. The financial statements for Minaki Development Company Limited as at September 30, 1975 were unaudited and contained the following accountants' comment:

"In accordance with the terms of our engagement, we did not perform an audit and accordingly are not in a position to express an opinion on these financial statements."

Pending Legal Proceedings

The Corporation, along with four other parties, has been named as a defendant in a legal action whereby an amount in excess of \$4,000,000 has been

claimed. This action, which was commenced by the former president and chief shareholder of Minaki Lodge Resort Ltd., involves alleged breach of the financing agreement in respect of the re-opening and continued operation of the lodges, breach of warranty of authority, tort of deceit and breach of trust and fiduciary duties.

141. Office of the Ombudsman—Improved Procedures Recommended. During the period from its inception on July 10, 1975 to March 31, 1976, the expenditure of the Office of the Ombudsman totalled \$1,297,044. During our audit of the accounts and financial transactions of the Office of the Ombudsman for the period ended March 31, 1976, we observed a number of areas where procedural improvements were warranted and we made appropriate recommendations. The following were included:

As at March 31, 1976 the Office of the Ombudsman had purchased ten automobiles, consisting of one executive and nine standard vehicles. The standard vehicles were assigned to the directors and to the general investigative staff. Commencing in May 1976 a charge of \$45 per month has been levied for the personal use of the executive vehicle.

Under income tax regulations an employer is considered to make an automobile available for an employee's personal use when he gives the employee the custody and control of the automobile and does not impose strictly enforced rules prohibiting its use by the employee for his own personal purposes. Inasmuch as the Office has not laid down procedures regarding the use of the vehicles, it would appear that personal use of the vehicles for income tax purposes is presumed. We noted, however, that no taxable benefits had been included in the Government of Canada 1975 T4 income tax returns for pertinent employees in respect of the two vehicles which were delivered in 1975. We therefore recommended that a policy or procedures regarding the use of vehicles be established.

Concerning the purchase of the aforementioned vehicles by the Office, in five instances written competitive quotations were not on file. We were advised that subsequent to March 31, 1976 a purchasing policy has been instituted which provides for the use of purchase requisitions and for obtaining quotations from suppliers. With respect to the purchase of automobiles, however, we feel that the facilities of the Ministry of Transportation and Communications should be used.

Arrangements for air transportation on scheduled flights were being made by the Office through Ontario Travel Service which is operated by Air Canada. Requests to Ontario Travel Service for reservations and tickets must be accompanied by a series of code numbers assigned to the Office of the Ombudsman. At present, travel authorization numbers may be obtained from an employee in the administration office without the necessity of prior authorization or approval. Customer copies of airline tickets have not always been returned to the administration office with the result that the monthly statements from Ontario Travel Service have, in some cases, not been fully reconciled prior to payment. A review of files also re-

vealed a negotiable portion of a return ticket which had not been returned to Ontario Travel Service for credit.

We recommended that internal control over the use of Ontario Travel Service facilities be strengthened by requiring prior written authorization of air transportation. We also recommended that the monthly billing from Ontario Travel Service be reconciled by reference to the travel authorization numbers.

Billings by a taxi company with which a service charge account is maintained totalled approximately \$1,530 in the period October 1975 to March 1976. From a test check of billings we noted that taxis were used for transportation to and from work by several employees in several instances. We also noted that under present procedures charge account coupons are obtained upon request from an employee in the administration office. In addition, we understand that they may also be obtained by employees directly from the taxi company.

The policy on the use of taxis by Ontario government ministries and agencies contained in the Manual of Administration reads, in part, as follows:

“A taxi may be used at Government expense

—when by virtue of distance, weather conditions, physical disability, baggage or parcels, it is reasonable to use transportation, and

—when this is the most economical means of transportation or is otherwise justifiable under the circumstances.”

To improve internal control we recommended that similar guidelines be established for the Office of the Ombudsman.

Telephone charges during the period October 1975 through March 1976 totalled \$17,466, including long distance charges of approximately \$3,500. A review of the March 1976 long distance charges indicated that over five per cent of the calls were to out-of-province points. Of the remainder, approximately forty-five per cent were to centres served by the Ontario Government inter-city network. To improve internal control we recommended that a procedure be instituted for reviewing charges prior to payment. We also recommended that the inter-city network of the Ontario Government, which provides telephone service to centres outside Toronto at a lower cost than direct distance dialing, be used as much as possible.

142. The Ontario Cancer Treatment and Research Foundation—Recommendations for Improved Accounting Procedures and Internal Control. At December 31, 1975 the assets of the Foundation totalled \$13,221,490. Liabilities and reserves, combined, amounted to \$8,941,357, resulting in an excess of assets over liabilities and reserves of \$4,280,133. During the year ended December 31, 1975 the Foundation's revenue and expenditure totalled \$11,190,929 and \$11,452,272 respectively. The former figure included grants from the Province of Ontario amounting to \$5,127,629.

Our audit of the accounts of the Foundation included a review of the accounting procedures and system of internal control. A number of recommendations were made which, in our opinion, would strengthen existing procedures and related controls. The following were included:

- (1) A manual of accounting procedures be prepared for the guidance of the staff, and with a view towards simplification of certain procedures while retaining an adequate standard of internal control. In this connection, we further suggested that the current procedures governing the transfer of posting information between clinics and the head office be reviewed.
- (2) Purchase orders be initiated and approved for all purchases of goods and services except for small items purchased from cash funds. Purchasing procedures should require that written or verbal quotations be documented and the receipt of goods or services be clearly indicated on the file copy of the purchase order.
- (3) Fixed asset ledgers be kept on a current basis and that a program to check the physical existence of the assets on a periodic basis be instituted.
- (4) Head office payroll journals be subject to a review and approval in writing by an official other than the preparer. A permanent record of attendance should be maintained so that vacation and attendance credits may be authenticated.
- (5) The audit function performed by head office staff be expanded to include the resumption of field audits at clinics and additional audit tests of clinic payrolls. The audit of clinic payrolls has been limited mainly to arithmetical accuracy tests. The use of current personnel data and monthly payroll reconciliations would permit more comprehensive tests to be made.

143. Ontario Development Corporation. At March 31, 1976 the balance sheet of the Corporation reflected assets of \$145,259,168, liabilities of \$137,065,839 and shareholders' equity of \$8,193,329. For the 1975-76 fiscal year income and expense, as shown by the Corporation's related financial statement, totalled \$4,451,674 and \$4,968,888 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1975-76 Public Accounts.

The above-referenced expense figure of \$4,968,888 is a net total after deducting \$14,998,978 of expense for which funds were provided by the Treasurer of Ontario. The funds so provided included \$4,000,000 for the purpose of writing off a portion of the loans which the Corporation had made to a specified company. Also included was an amount of \$663,455 provided for the purpose of retiring a portion of the specified company's bank loan indebtedness which had been guaranteed by the Corporation.

On November 25, 1975 Management Board of Cabinet approved in principle the restructuring of the debt and equity of the specified company which provided that the Corporation's above-described loan reduction activity, aggregating \$4,663,455, would be converted into equity in the specified company at \$1.50 per share. This approval was subject to receipt of a firm restructuring agreement acceptable to Management Board of Cabinet. At the conclusion of our audit, September 21, 1976, negotiations were still proceeding with the other parties involved in the reorganization of the specified company. These other parties include a Federal Government agency and two companies in the same line of business. As and when the negotiations are finalized, the Corporation is to receive 3,108,970 shares in the specified company in return for the debts retired.

As at March 31, 1976 the assets of the Corporation included an outstanding loan to the specified company in the approximate amount of \$1,200,000. In addition, the contingent liabilities of the Corporation included guarantees of approximately \$7,500,000 in respect of bank loans received by the specified company.

The appointment of the Corporation's Chief Executive Officer was revoked under the authority of Order in Council 3459/75 dated December 17, 1975. On the same date a new Chief Executive Officer was appointed by Order in Council 3515/75.

Following revocation of his appointment, the former Chief Executive Officer continued to be paid by the Corporation and at the same rate of salary, \$43,600 per annum. He subsequently gave notice in writing of his intention to resign effective June 30, 1976. Through utilization of accumulated vacation credits the former Chief Executive Officer, under the authority of Order in Council 613/76 dated March 10, 1976, was continued as an employee until August 18, 1976 and separated from the Civil Service effective that date.

Upon separation the party concerned was also paid an attendance gratuity of \$21,800, which amount was the equivalent of six months' salary. This payment was made in accordance with the Regulations under The Public Service Act.

144. Ontario Housing Corporation—Control Weaknesses. The assets of the Corporation totalled \$1,341,096,036 at December 31, 1975. Liabilities totalled a like amount. For the 1975 calendar year revenue amounted to \$11,695,835 while the loss on housing operations and other expenses totalled \$50,434,480 and \$15,176,626 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1975-76 Public Accounts.

Metropolitan Toronto Operations—Rental Housing

During the course of our audit we visited Metropolitan Toronto District "G". A number of deficiencies were noted for which we made the following recommendations:

(a) Tenant Files:

- efforts be accelerated to verify tenant incomes annually since there were no annual income verifications on file in approximately twenty-two per cent of the files examined;
- tenancy agreements and renewals be maintained on a current basis; and
- standard rents be accurately calculated and documented in accordance with laid-down rent-geared-to-income scales.

(b) Cash Receipts:

- all cheques and money orders be restrictively endorsed immediately upon receipt;
- wherever possible, duties of cashiers be segregated to ensure that persons collecting cash do not also have access to and maintain the tenant ledgers;
- banking procedures be improved to ensure prompt depositing of cheques and money orders received;
- an independent verification of cash count sheets with copies of cash receipts be performed and the numerical sequence of cash receipts checked and all missing numbers properly accounted for; and
- security over cheques and money orders collected be strengthened.

(c) Inventory:

- procedures outlined in the Corporation's field manual pertaining to the recording and safeguarding of inventory be reviewed and adhered to on a consistent basis. In this regard it was noted that two new items of office equipment purchased had not been recorded and that no physical inventory had been taken since May 1974.

(d) Purchasing:

- procedures outlined in the Corporation's field manual requiring at least two quotations for the purchase of materials up to \$300 be adhered to on a consistent basis; and
- contracts be awarded only to qualified suppliers indicated by head office, where applicable.

(e) General Ledger Reconciliations:

- regular reconciliations between the district's subsidiary records and the Corporation's general ledger in respect of the rents receivable, undistributed cash and N.S.F. cheques accounts, be prepared and maintained on a timely basis.

Management was requested to review all other Metropolitan Toronto districts for similar deficiencies and to implement, where practicable, the recommendations noted in (a) to (e) above. We were advised by management that deficiencies have now been corrected at District "G" and our recommendations implemented where possible.

Additional observations and recommendations resulting from our audit of the Corporation for the year ended December 31, 1975 included the following:

Control Over Cash Receipts at Head Office

A review of the system of internal control in respect of cash receipts at the head office in January 1976 disclosed that certain procedures outlined in the Ministry of Housing Administration Manual were not being followed, both in the mailroom and the banking section. We were advised by management that improved procedures introduced in May 1976, if followed diligently, should greatly strengthen internal control in this area in the future. We recommended that surprise examinations be carried out periodically by the Audit Operations Branch of the Ministry of Housing of mail opening and banking procedures to ensure continuing adherence to laid-down procedures.

Private Management—Former Tenant Arrears

Former tenant arrears, in respect of properties administered by private management corporations, had increased from \$54,560 in 1974 to \$104,887 in 1975. We recommended that the corporations be requested to submit an analysis of former tenant arrears, supported by the respective tenant files, at the same time as the corporations submit their monthly Statements of Revenue and Expenses. In our opinion, this should speed up the collection process by enabling Ontario Housing Corporation management to prepare data summary sheets promptly for forwarding to collection agencies.

Leasehold Receivables

As part of our examination, a number of active leasehold receivable accounts were confirmed directly with the lessees. Similar to our findings last year, these confirmations disclosed a number of input errors in the Corporation's computerized lease system. It was again recommended that the lease processing system be reviewed and improved in order that errors are eliminated.

On September 24, 1976 the Corporation responded to our comments as follows:

Metropolitan Toronto Operations—Rental Housing

"Your comments with respect to your staff visit to District 'G' in Metro Toronto were most helpful. Comments follow on each of your observations.

“(a) Tenant Files

- your recommendation that efforts to improve annual income verifications, tenancy agreements, renewals and standard rent calculations is accepted. Staff have recently expended a great deal of effort in this area and this effort will be sustained.

“(b) Cash Receipts

- Your recommendations with respect to cash receipts are accepted.
- all cheques and money orders will be restrictively endorsed immediately upon receipt;
- it is agreed that duties assigned to staff within the Metro districts should be on a basis that is compatible with good internal control. To the extent that staffing constraints permit, this will be done;
- substantial improvements with respect to the deposit of revenue have been instituted;
- independent verification of cash count sheets with copies of cash receipt stubs, along with numerical sequence checks are now being done;
- steps have been taken to improve overall security as suggested.

“(c) Inventory

- the two instances where items of office equipment were not recorded were the result of clerical failure. Both errors have now been corrected. Procedures have been initiated to ensure that all inventories are verified at least annually and that treatment throughout Metro will be consistent.

“(d) Purchasing

- with respect to purchases under \$300, procedures have now been changed and competitive bids will no longer be required for individual items under this amount;
- where it is practical to do so, contracts will be awarded to qualified suppliers designated by the main office.

“(e) General Ledger Reconciliations

- the regular reconciliations referred to are now being prepared and maintained on a timely basis.

“As requested, a review of the other nine District Offices in Metro Toronto has been carried out and where applicable, your suggestions are being implemented.

“To improve overall control within the ten Metro Districts a new position of District Administrator was established earlier this year. Incumbents have been recruited and we feel the new organizational structure will resolve many of the minor problems encountered in the past.”

Control over Cash Receipts

“Following the observations made by your staff that Ministry of Housing Manual administrative procedures were not being followed, both in the Mail Room and the Banking Section, procedural improvements were initiated. The applicable section of the Ministry administrative manual has been rewritten and we are confident that current procedures are satisfactory. The recommended surprise examinations by the Audit Operations Branch of the Ministry of Housing will be carried out.”

Private Management—Former Tenants Arrears

“Your recommendation that private management corporations submit former tenant files monthly, to speed up collection procedures, has been accepted and is now in place.”

Leasehold Receivables

“Your comments with respect to arrears in the Corporation’s lease receivable accounts are acknowledged. Many of the discrepancies referred to arose in earlier years when the portfolio was increasing very rapidly. A series of systems upgradings were required to handle the substantial volume of new accounts and a number of clerical errors resulted.

“There has been a steady improvement in the condition of these lease accounts over the past three years, and as discrepancies are isolated, they are corrected. Two major changes have been underway in recent months that will speed up the corrective process and promote increased account accuracy, namely:

- (a) A pre-authorized cheque plan is being installed that will cover the greater part of the lease portfolio. This plan will greatly reduce the possibility of input errors.
- (b) A program is currently in process whereby leases are being individually converted to freehold ownership or to mortgages receivable. This permits an individual examination of account information and any inaccuracies noted during this process can be corrected. We are confident that the condition of the accounts will continue to improve.”

145. Ontario Mortgage Corporation—Questionable Need of Funds. In accordance with a resolution of the Board of Directors on March 4, 1976, subsequently confirmed at a general meeting of the shareholders, a by-law was enacted changing the year end of the Corporation from December 31 to March 31.

At March 31, 1976 the assets of the Corporation totalled \$545,017,762 with corresponding liabilities of \$542,434,840 and shareholders' equity of \$2,582,922. For the fifteen month period ended March 31, 1976 revenue and expenses amounted to \$49,539,856 and \$48,417,648 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1975-76 Public Accounts.

During the course of our audit we noted that amounts drawn from the Treasurer of Ontario for the period from April 1 to April 12, 1976 were included by the Corporation as outstanding bank deposits as at March 31, 1976. These amounts were charged to the appropriation of the Ministry of Housing for the year ended March 31, 1976 against Vote 804-3.

We were unable to satisfy ourselves that approximately \$10,500,000 of these advances was required by the Corporation for immediate use. However, we have been advised that the drawing of these funds against the 1975-76 appropriation was given advance approval on the understanding that such funds be deposited in a Province of Ontario Savings Office account.

146. Ontario Northland Transportation Commission—Procedural Improvements Warranted. At December 31, 1975 the assets of the Commission amounted to \$160,430,272. Liabilities, including reserves, totalled \$119,020,361, while retained income and contributed surplus were in the amounts of \$32,176,809 and \$9,233,102 respectively. For the 1975 calendar year revenue amounted to \$45,302,965 with expenses of \$46,274,591. Revenue included \$6,232,459 in subsidies from the Province of Ontario and \$330,276 in subsidies from the Government of Canada. The financial statements of the Commission are reproduced in Volume 2 of the 1975-76 Public Accounts.

The following comments resulted from our audit of the Commission for the year ended December 31, 1975:

Contributory Pension Fund—Long Term Investments

The Treasury and Budget and Statistics Departments maintain independent investment control cards for the purchase and sale of long term investments and the income derived from such investments. The records maintained by the Budget and Statistics Department were intended to serve as an independent control over the Treasurer's cash handling duties.

During the course of our audit we noted that records maintained by the Budget and Statistics Department were incomplete and were not being maintained on a regular and timely basis. In order to maintain proper control we recommended that the two sets of records should be reconciled periodically and agreed with the general ledger control account. Alternatively, as recommended by the Commission's internal auditors in their report of January 20, 1976, the responsibility of maintaining the investment control cards should be transferred entirely to the Budget and Statistics Department. This would afford a division of duties between

the Treasurer's responsibilities for the purchase and sale of investments and the physical control over these investments.

Contributory Pension Fund—Short Term Investments

During the course of our audit we found that, in the absence of the Executive Director of Financial and Purchasing Services, the Treasurer is responsible for the purchase and sale of short term investments. The Treasurer also maintains control cards pertaining to these investments. To strengthen internal control we recommended that the Treasurer should be relieved of the responsibility for investment decisions, since he is also responsible for cash handling and recording the purchase and sale of short term investments. In our opinion, in the absence of the Executive Director of Financial and Purchasing Services, such decisions should be delegated to the Director of Finance and, as recommended by the Commission's internal auditors, all purchases should be approved in Commission minutes.

Management Consulting Services

At their meeting of October 23, 1975 the Commissioners accepted a written proposal from a firm of management consultants to conduct a study of labour utilization within the Ontario Northland Transportation Commission. The study, which commenced on November 3, 1975, was scheduled to be completed by April 30, 1976 at a total cost of \$117,000. At December 31, 1975 the Commission had expended \$40,500 of this amount. We noted that the reasons for not openly tendering for these services or inviting quotations from other management consulting firms were included in the minutes of the above-mentioned Commission meeting.

The provisions of the Province of Ontario Manual of Administration relating to management consulting services specify that "assignments with estimated total costs equal to or exceeding \$100,000 require prior Management Board approval". We are not aware that such prior approval was obtained by the Commission. It would also have been preferable, in our opinion, to have drawn up a legal contract to be signed by both parties.

Internal Audit

During 1975, certain of the Commission's internal audit activities were conducted by a firm of chartered accountants appointed by the Commission in 1974. Their work consisted of examinations of the procedures and systems, including flowcharting where appropriate, pertaining to payrolls, purchasing of goods and services and disbursements, revenue, accounts receivable and the handling of funds, and the Moosonee Lodge operations. Several recommendations relating to the Commission's system of internal control were made in reports submitted by the auditors and were reviewed by the Audit Committee. We have been advised by the Audit Committee that such recommendations are being reviewed periodically to ensure that they are being adhered to.

In particular, it was noted that an audit report dated August 14, 1975 indi-

cated several weaknesses in the system of internal control at one of the Commission's locations. Subsequent to this report, evidence was uncovered which substantiated a suspected cash shortage and other irregularities in the management of this particular operation, and as a result the employee in charge was suspended immediately and was subsequently dismissed following a thorough investigation. On November 18, 1975 the Audit Committee requested a complete report of the audit and subsequent dismissal of the employee. We recommended that such report be submitted to the Commissioners to obtain their approval for the extent of the action taken by management.

The Commission replied to our comments on May 3, 1976:

Contributory Pension Fund—Long Term Investments

"The records maintained in the Budget and Statistics Department were transferred there from another department of the Commission during 1975 and have since the date of the audit been brought up to date and are maintained on a regular basis.

"The reconciliation of the pension fund records is now being done on a regular basis, as well as the investment control cards now being maintained by the Budget and Statistics Department."

Contributory Pension Fund—Short Term Investments

"We agree with the recommendation of the auditor that the Director of Finance be delegated the responsibility for investments in the absence of the Executive Director of Financial and Purchasing Services."

Management Consulting Services

"The Audit Committee has noted this recommendation and has requested that the General Manager obtain further information from the Minister as to the necessity of the Commission obtaining Management Board approval for expenditures of this nature."

Internal Audit

"It is the intention of the Audit Committee to ensure that the recommendations of the internal audit group are adopted on a timely basis and that all accepted recommendations are adhered to.

"The Director of Personnel has been requested to provide all the information regarding the dismissal of the employee in question for submission at the next meeting of the Commission."

147. Ontario Place Corporation. At March 31, 1976 the balance sheet of the Corporation reflected assets of \$194,561 and liabilities of \$185,057, resulting in a surplus of \$9,504. During 1975-76 the Corporation's income and expenditure amounted to \$7,192,647 and \$7,195,048 respectively. The former figure included operating and capital grants of \$3,585,000 from the Province of Ontario.

As at the date of this Report, September 30, 1976, charges of breach of trust and fraud had been laid against the Corporation's Director of Programming and the individual had been suspended. The charges related to the alleged misappropriation of Corporation funds between October 1972 and September 1976. A charge of fraud had also been laid against another individual who was not an employee of the Corporation.

Since trials relating to the above charges had not as yet taken place, full details of the alleged misappropriation were not available.

148. The Province of Ontario Savings Office. At March 31, 1976 the assets of the Savings Office totalled \$286,919,879 with offsetting liabilities of \$286,726,596 and reserve of \$193,283. For the 1975-76 fiscal year revenue and expenditure amounted to \$25,546,662 and \$24,315,701 respectively. The balance sheet of the Savings Office is reproduced in Volume 1 of the 1975-76 Public Accounts, page 50.

Amounts received from the public are held in individual accounts on which interest is paid, and on which the depositor may draw cheques. Funds in excess of the day-to-day requirements of the Savings Office are deposited with the Treasurer of Ontario. The Savings Office's ratio of net operating cost to the average funds provided to the Treasurer of Ontario, when compared in total and by branch to the average rate at which long-term borrowing is available from other sources, provides a basis for assessing the benefit accruing from the operation of the Savings Office. During 1975-76 the Savings Office provided the Treasurer of Ontario with funds averaging in excess of \$249,000,000. The ratio of net operating cost to the average funds so provided was calculated at 7.88 per cent. By comparison, we were advised that the average cost of long-term provincial borrowing for the year was 10.22 per cent.

The Agricultural Development Finance Act, pursuant to which the Province of Ontario Savings Office was established, makes no provision for the making of loans, either directly or by way of overdraft. During the course of the audit, we noted that certain Ministries (namely Health, Government Services, Solicitor General, Transportation and Communications) were at times carrying substantial overdraft balances at a branch of the Savings Office, and that no overdraft interest was being charged. Additionally, the same situation existed in the case of one large non-government account, although interest was charged thereon. We recommended that the practice of allowing such overdrafts be discontinued, and that the Ministries and the other depositor be so advised.

During the year, in excess of \$38,000 was paid to a firm of management consultants for a feasibility study and other related services pertaining to a "Study of Accounting Equipment and Methods" being used by the Savings Office. In their report the consultants recommended that the Savings Office embark on a program to convert branches of the Office to on-line service bureau processing during the next few years. We understand that Savings Office officials are in agreement with

the report, and a proposal relating to the implementation of such a program will be submitted to Management Board of Cabinet.

149. Public Service Superannuation Fund. This Fund was established by legislation in 1920 and was continued under The Public Service Superannuation Act which came into force in 1960. At March 31, 1976, the balance in the Fund totalled \$941,603,514. For the 1975-76 fiscal year receipts and disbursements amounted to \$194,614,944 and \$47,053,064 respectively. A statement of the Fund is shown in Volume 1 of the 1975-76 Public Accounts, page 45.

Expenditure by the Province with respect to the Public Service Superannuation Fund is made through the Ministry of Government Services and is detailed on page 123 of Volume 1 of the 1975-76 Public Accounts. This expenditure may be summarized, with comparable figures for the preceding year, as follows:

	1975-76 \$	1974-75 \$
Contributions to match those of contributors to the Fund (per section 10(1) of the Act)	45,778,448	39,248,309
Payments re Unfunded Liability	29,708,000	14,243,000
Payments re Minimum and Supplementary Pension Liability	11,885,672	8,085,760
Miscellaneous Payments	2,143	6,628
	<u>87,374,263</u>	<u>61,583,697</u>

General Information

The balance in the Fund is on deposit with the Treasurer of Ontario. Interest is credited to the Fund at the close of each fiscal year out of the Consolidated Revenue Fund at a rate and in a manner to be determined from time to time by the Lieutenant Governor in Council. Interest credited for the 1975-76 fiscal year totalled \$61,610,660, and included interest at an effective rate of 7.075% on the balance in the Fund at March 31, 1975.

A contributor to the Fund is defined in the Act, as is the basis of contribution. Essentially contributions are at the rate of 6% of the contributor's salary less required contributions to the Canada Pension Plan. Matching contributions are made by the Province in accordance with the provisions in the Act. As at March 31, 1976 the number of contributors to the Fund approximated 75,000, including contributors from certain Boards and Commissions.

In general, a contributor is eligible for a superannuation allowance upon his retirement at:

- i) attained age 65 with 10 years' service; or
- ii) attained age 60 with 20 years' service; or
- iii) attained age plus number of years of service = 90.

Retirement allowances are calculated on the basis of 2% of salary per year of service, maximum of 35 years, where salary is the average of the highest five consecutive years' salaries for those commencing service after 1965 and of the high-

est three consecutive years' salaries for those commencing service prior to 1966. Upon the recipient's entitlement to a retirement pension under the Canada Pension Plan (C.P.P.), the foregoing calculation is reduced by .7% of the relevant average salary, up to the C.P.P. earnings ceiling, multiplied by the number of years service subsequent to 1965. The C.P.P. earnings ceiling is the average of the ceiling in effect at the time of retirement and that of the previous two years. The following is presented by way of illustration:

Retirement Date:	December 31, 1975	
Attained Age:	65	
Number of Years Service:	35	
Average of highest three consecutive years' salaries:	\$10,000	
Calculated C.P.P. earnings ceiling:	\$ 6,533	
Retirement Allowance:		
Basic Allowance: $\$10,000 \times 2\% \times 35 =$		\$7,000
Less Reduction re C.P.P.: $\$6,533 \times .7\% \times 10 =$		457
Net Allowance		<u>\$6,543</u>

As at March 31, 1976 the number of recipients of retirement allowances was in excess of 7,300.

In addition to retirement allowances, other benefits are payable out of the Fund. These benefits include disability allowances, deferred and immediate annuities, allowances to widows, etc., and are fully described in The Public Service Superannuation Act.

Unfunded Liability

As indicated in the opening paragraph of this section, receipts into the Fund are currently considerably in excess of disbursements out of the Fund. However, the latest actuarial report dated April 14, 1976, and presenting a valuation of the Fund as at December 31, 1973, indicates that the Fund and its projected future receipts will be insufficient to meet all of the Fund's projected future liabilities. The present value of this shortfall is termed the unfunded liability of the Fund. As at December 31, 1973 the unfunded liability was calculated at \$244,229,000. Of this amount, \$82,616,000 represents the initial unfunded liability as at January 1, 1965; the balance of \$161,613,000 represents an additional or residual unfunded liability accumulated between that date and December 31, 1973. In accordance with the Regulations under The Pension Benefits Act, the Province has been making annual payments of interest and principal into the Fund. These payments are designed to:

- Prevent an increase in the initial unfunded liability;
- Liquidate the residual unfunded liability over a period ending April 1, 1989.

Based upon the most recent actuarial report, the annual payment required is \$21,598,000 from 1974 to 1989 inclusive.

Following receipt of the actuarial report dated April 14, 1976 it was determined that the total of the unfunded liability payments made by the Province, to and including the 1974-75 fiscal year, was \$7,355,000 less than the total of the payments actuarially required. This difference, with interest, and the 1975 payment of \$21,598,000 were paid during the 1975-76 fiscal year, resulting in a total expenditure for unfunded liability purposes of \$29,708,000.

In the valuation of the Fund as at December 31, 1973, the actuaries calculated that, among other things, the Fund would earn interest in future at the rate of 6¾% per annum, and that henceforth contributors' salaries would be subject to inflationary increase at the rate of 4% per annum.

150. Toronto Area Transit Operating Authority. The Authority was established effective June 28, 1974 as a Corporation without share capital. The objects of the Authority include the design, establishment, and operation of inter-regional transit systems providing passenger transportation across the boundaries of specified regional areas and within the specified jurisdictional area of the Authority.

In our 1974-75 Report (section 139) we commented on the audit situation with regard to the Toronto Area Transit Operating Authority. The legislation under which the Authority was established provides for the appointment of one or more auditors licensed under The Public Accountancy Act to audit the books, records and accounts of the Authority. The Authority elected to appoint a firm of public accountants. In the event of such an appointment, however, the legislation further provides that the Provincial Auditor should have access to the appointed auditor's report and working papers. With respect to the period ended March 31, 1975, the Authority advised as follows:

"For the period ended March 31, 1975, the Authority was in process of becoming established and did not maintain any financial records. Arrangements were made with the Ministry of Transportation and Communications to provide accounting services for the Authority during this initial period. Since our records are included with the Ministry, we do not propose to prepare audited financial statements for the period ended March 31, 1975. We have established our own accounting group and have assumed this responsibility effective April 1st, 1975 and propose to use this as the effective date for the commencement of operations by the Authority."

With respect to the audit of the Authority for the 1975-76 fiscal year, we were advised that, as at the date of this Report, September 30, 1976, the audited financial statements and auditor's report had not been issued. Therefore, we had not as yet requested access to the appointed auditor's report and working papers.

151. Ontario Land Corporation—Operational Improvements Recommended. At March 31, 1976 the assets of the Corporation amounted to \$338,130,618. Liabilities totalled a like amount. The financial statements of the Corporation are reproduced in Volume 2 of the 1975-76 Public Accounts.

The Corporation was established effective March 19, 1975, and was created to assist in the promotion of community and industrial development of land in Ontario by the acquisition of land and the disposal of it to persons in the private and government sectors for residential, community, industrial, governmental and commercial development. The operations of the Corporation are carried on by ministries of the Province of Ontario under Management Agreements. These agreements specify among other items that the ministries will not be reimbursed by the Corporation for administrative costs incurred in the rendering of services to the Corporation.

A number of procedural deficiencies were noted in the course of audit and were drawn to the attention of the Corporation along with recommendations for improvement. Included were the following:

Management Agreements

A management agreement between the Corporation and the Ministry of Government Services was drawn up, at which time both parties to the agreement stated they would use their best efforts to forthwith develop detailed written guidelines to regulate the conduct of affairs between them, and particularly, to give effect to certain articles of the agreement. After discussion with officials of the Ontario Land Corporation it was ascertained that these guidelines had not as yet been developed.

We recommended that such guidelines be prepared and attached to the agreement. This would provide a clear definition as to responsibilities of the Ministry of Government Services and Ontario Land Corporation officials for conducting the affairs of the Corporation.

The management agreement which was drawn up between the Corporation and the Ministry of Housing is not, in our view, as specific as it should be. There do not appear to be clauses in the agreement referring to the provision of legal and accounting services. We recommended that this management agreement be expanded or guidelines prepared specifically to provide for the carrying out of these services.

Cash on Hand and Interest

At the end of March 1976 Ontario Land Corporation had approximately \$52 million in its bank account. This was due to a cash advance to the Corporation at the end of March 1976 in the amount of \$22 million, and an excess of funds from the advances by the Treasurer of Ontario upon incorporation of the company in 1975.

Ontario Land Corporation has obviously borrowed excess funds. We believe that the Corporation should take whatever action possible to more closely correlate the date of borrowing of funds and the date that borrowed funds are needed to pay expenditures. This would help to reduce the cost of borrowed funds to the Corporation.

During the course of the year the Corporation was earning less interest revenue on deposits than it was paying on funds advanced by the Treasurer of Ontario. We believe that the Corporation should endeavour to invest excess funds at higher rates of interest.

Property Leases

Certain leased properties did not have signed lease agreements on file. For example, a limited examination of property files indicated that the following properties did not have a lease agreement—property numbers M644-11 and M644-134 in Townsend and property numbers M683-4, M683-26, M683-107 and M683-113 in South Cayuga.

We strongly believe that there should be a signed lease agreement on file for all rental properties. Without a formal lease agreement rental revenue could be lost or pilfered. Also, the current rental collected may not be in agreement with the terms of the verbal leases arranged.

General

Many of the matters which were brought to the attention of the Corporation related to the need for a better reporting system. In this regard, we believe it would be quite beneficial if one or more persons were assigned the responsibility for control of reporting functions. This would establish a central authority through which queries or follow-up work could be handled. Similarly, by insisting on better and more current reporting functions the Corporation should reduce unnecessary after-the-fact efforts to clear up problem areas.

ACKNOWLEDGEMENTS

I am pleased to have this opportunity to express my appreciation and that of my associates in the Audit Office for the co-operation and effective help extended to us by officials and staff of the various ministries and Crown agencies during the conduct of the audit.

Also, I would like to express my sincere appreciation for the faithful performance of their duties by the Assistant Provincial Auditor, the Directors and other members of my staff during the year.

A handwritten signature in dark ink, appearing to read 'F. N. Scott', with a large, sweeping flourish at the end.

F. N. Scott, C.A.,
Provincial Auditor.

Toronto, September 30, 1976.

EXHIBITS

1. Statement of Consolidated Revenue Fund, Year Ended March 31, 1976.
2. Statement of Assets and Liabilities as at March 31, 1976.
3. Statement of Revenue, Year Ended March 31, 1976.
4. Statement of Budgetary Expenditure, Year Ended March 31, 1976.
5. Monthly Summary of Expenditure by Ministry, Year Ended March 31, 1976.
6. Management Board Orders—Amounts Authorized and Expended Thereunder during the Year Ended March 31, 1976.
7. Statutory Appropriations—Amounts Expended Thereunder during the Year Ended March 31, 1976.
8. Organization Chart—Office of Provincial Auditor.
9. Revenue and Expenditure Audits, Year Ended March 31, 1976.
10. Crown Agency Audits, Year Ended March 31, 1976.
11. Status of Suggested Corrective Action and Recommendations Contained in Previous Report.
12. Recommendations of the Standing Committee on Public Accounts in Its Interim Report to the Legislative Assembly Dated July 10, 1975.

EXHIBIT 1

STATEMENT OF CONSOLIDATED REVENUE FUND

Year ended March 31, 1976

	1976	1975
	\$	\$
OPENING BALANCE		
Cash, temporary investments and marketable securities	856,301,037	982,286,687
BUDGETARY TRANSACTIONS		
Revenue	9,152,266,682	8,275,048,981
Expenditure	10,632,241,331	8,821,609,717
Budgetary Deficit	(1,479,974,649)	(546,560,736)
NON-BUDGETARY TRANSACTIONS		
Loans, Advances and Investments		
Receipts	248,423,019	400,741,127
Disbursements	1,305,052,595	1,422,966,835
Net Increase in Loans, Advances and Investments	(1,056,629,576)	(1,022,225,708)
Trust Administration Functions		
Credits	307,399,011	323,682,550
Charges	99,380,533	59,979,602
Net Increase in Trust Administration Functions	208,018,478	263,702,948
Non-Budgetary Transactions (net)	(848,611,098)	(758,522,760)
NET CASH REQUIREMENTS	(2,328,585,747)	(1,305,083,496)
DEBT TRANSACTIONS		
Proceeds of loans	2,586,160,341	1,538,822,283
Repayments of loans	82,834,247	359,724,437
	2,503,326,094	1,179,097,846
CLOSING BALANCE		
Cash, temporary investments and marketable securities	1,031,041,384	856,301,037

See accompanying Basis of Reporting (page 6) and Schedules to Statement of Consolidated Revenue Fund on pages 12 to 27.

Referenced page numbers are to Volume 1 of the 1975-76 Public Accounts.

**PROVINCE OF
STATEMENT OF ASSETS AND**

Assets

	1976 \$	1975 \$
Cash, temporary investments and marketable securities	1,031,041,384	856,301,037
Advances to Ontario Hydro	2,307,056,636	1,788,495,970
Advances and investments—other corporations, boards and commissions	4,102,188,993	3,778,440,816
Investments in water treatment and waste control facilities (at cost less recoveries)	666,210,360	528,262,811
Loans to municipalities	271,790,254	213,274,581
Other loans and investments	237,432,069	219,574,558
Total recorded assets	8,615,719,696	7,384,349,773
Net debt	4,928,044,232	3,448,069,583
	<u>13,543,763,928</u>	<u>10,832,419,356</u>

See accompanying Basis of Reporting on page 6 and Schedules to Statement of Assets and Liabilities on pages 28 to 43.

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs.

A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.

G. McINTYRE, F.C.A., Executive Director, Treasury Division.

Referenced page numbers are to Volume 1 of the 1975-76 Public Accounts.

EXHIBIT 2

ONTARIO
LIABILITIES AS AT MARCH 31, 1976

Liabilities		
	<i>1976</i>	<i>1975</i>
	\$	\$
Demand deposits with the Province of Ontario Savings Office	286,726,596	233,727,157
Pension funds	951,227,021	795,952,606
Deposit, trust and reserve accounts	187,403,404	187,658,780
Advances payable	60,573,087	61,134,861
Treasury bills	325,000,000	
Debentures and notes	11,732,833,820	9,553,945,952
	<u>13,543,763,928</u>	<u>10,832,419,356</u>
Contingent liabilities: bonds, debentures and loans guaranteed by the Province	5,027,075,146	3,843,449,294

I have examined the above Statement of Assets and Liabilities of the Province of Ontario as at March 31, 1976, the Statement of Consolidated Revenue Fund, the Statement of Revenue, the Statement of Budgetary Expenditure and the related financial statements appearing in Volume 1 of the Public Accounts for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Province as at March 31, 1976 and the results of its operations for the year then ended, and were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are fully described under the heading of "Basis of Reporting" on Pages 6-7 of Volume 1 of the Public Accounts.

In accordance with section 20 of The Audit Act, a report will be made to the Legislative Assembly.

Toronto, September 30, 1976

F.N. Scott, C.A.,
 Provincial Auditor.

EXHIBIT 3

STATEMENT OF REVENUE

Year ended March 31, 1976

	1976 \$	1975 \$
RECOVERY OF PRIOR YEARS' EXPENDITURES	24,159,453	10,830,820
TAXATION		
Personal Income Tax	1,571,155,810	1,445,552,199
Retail Sales Tax	1,327,637,412	1,568,828,591
Corporation Taxes	1,140,039,319	891,907,759
Gasoline Tax	505,098,008	493,090,700
Federal Government Income Tax Revenue Guarantees	255,499,000	49,496,000
Tobacco Tax	104,102,675	101,449,981
Mining Profits Tax	63,081,453	152,802,601
Other	238,564,994	250,188,145
	5,205,178,671	4,953,315,976
ROYALTIES	40,031,204	35,617,378
FEES, LICENCES AND PERMITS	327,791,758	279,085,252
FINES AND PENALTIES	46,504,400	42,209,566
PROFITS FROM CROWN CORPORATIONS AND BOARDS		
Liquor Control Board of Ontario	333,500,000	301,650,000
Ontario Lottery Corporation	42,000,000	
	375,500,000	301,650,000
PUBLIC DOMAIN	2,599,868	2,502,945
SALES—LAND AND BUILDINGS	7,742,180	58,320,831
SALES—OTHER	7,418,452	6,765,768
FACILITIES	21,360,885	18,294,677
PREMIUMS—ONTARIO HEALTH INSURANCE PLAN	572,521,648	548,095,482
UTILITY SERVICE CHARGES	32,421,830	25,921,044
MISCELLANEOUS	6,294,610	1,140,841
GOVERNMENT OF CANADA		
Reimbursements of Expenditures		
Hospital Insurance and Diagnostic Services Act—		
hospital operations	848,620,261	651,856,747
Canada Assistance Plan	443,938,609	300,031,205
Medical Care Act	287,661,054	275,166,761
Post Secondary Education Adjustment Payment	167,473,085	142,685,004
Other	176,167,453	141,575,509
	1,923,860,462	1,511,315,226
Other	5,693,087	5,604,188
	1,929,553,549	1,516,919,414
REIMBURSEMENTS OF EXPENDITURES	20,161,709	19,250,582
INTEREST	533,026,465	455,128,405
REVENUE	9,152,266,682	8,275,048,981

EXHIBIT 4

STATEMENT OF BUDGETARY EXPENDITURE

Year ended March 31, 1976

	1976 \$	1975 \$
GENERAL GOVERNMENT—		
Office of the Lieutenant Governor	93,092	63,119
Office of the Assembly	30,090,520	8,155,940
Office of the Premier	1,365,052	1,270,972
Cabinet Office	1,179,940	1,212,824
Management Board of Cabinet	7,507,287	6,659,027
Office of Provincial Auditor	1,544,261	1,335,318
Office of the Ombudsman	1,297,044	
Government Services	288,388,813	269,238,043
Housing	191,730,424	70,616,684
Revenue	172,995,073	122,988,643
Treasury, Economics and Intergovernmental Affairs	1,289,875,097	1,034,908,966
JUSTICE POLICY FIELD—		
Justice Policy	353,200	291,623
Attorney General	100,491,692	85,324,537
Consumer and Commercial Relations	43,337,457	35,056,222
Correctional Services	122,338,819	102,324,844
Solicitor General	128,018,608	105,480,297
RESOURCES DEVELOPMENT POLICY FIELD—		
Resources Development Policy	1,290,629	531,715
Agriculture and Food	151,787,711	112,763,448
Energy	3,480,519	2,462,024
Environment	82,956,640	57,741,592
Industry and Tourism	50,151,057	36,794,479
Labour	16,609,626	14,183,339
Natural Resources	207,981,417	184,692,338
Transportation and Communications	964,207,211	811,719,954
SOCIAL DEVELOPMENT POLICY FIELD—		
Social Development Policy	1,490,842	1,266,654
Colleges and Universities	1,019,134,305	878,386,059
Community and Social Services	881,473,684	674,094,578
Culture and Recreation	108,855,803	74,268,167
Education	1,775,659,142	1,598,379,101
Health	2,986,556,366	2,529,399,210
	<u>10,632,241,331</u>	<u>8,821,609,717</u>

MONTHLY SUMMARY OF EXPENDITURE BY MINISTRY
YEAR ENDED MARCH 31, 1976

(\$'000's)
(See Note 1)

EXHIBIT 5

MINISTRY	APRIL 1975	MAY 1975	JUNE 1975	JULY 1975	AUG. 1975	SEPT. 1975	OCT. 1975	NOV. 1975	DEC. 1975	JAN. 1976	FEB. 1976	MARCH 1976 (Note 2A)	TOTAL 1975-76
Office of the Lieutenant Governor	2 2.1%	4 4.3%	9 9.7%	5 5.4%	4 4.3%	5 5.4%	15 16.1%	4 4.3%	18 19.4%	5 5.4%	8 8.6%	14 15.0%	93 100%
Office of the Assembly	2,000 6.7%	—	—	2,195 7.3%	1,013 3.4%	6,860 22.8%	3,442 11.4%	2,359 7.8%	575 1.9%	28 .1%	2,270 7.5%	9,348 31.1%	30,090 100%
Office of the Premier	31 2.3%	135 9.9%	89 6.5%	151 11.1%	92 6.8%	111 8.1%	100 7.3%	90 6.6%	92 6.7%	125 9.2%	126 9.2%	223 16.3%	1,365 100%
Cabinet Office	29 2.5%	110 9.3%	84 7.1%	125 10.6%	79 6.7%	87 7.4%	107 9.1%	87 7.4%	90 7.6%	140 11.9%	68 5.7%	174 14.7%	1,180 100%
Management Board of Cabinet	386 5.1%	369 4.9%	1,538 20.5%	876 11.7%	779 10.3%	(83) (1.1%)	789 10.5%	320 4.3%	792 10.6%	588 7.8%	687 9.2%	466 6.2%	7,507 100%
Office of Provincial Auditor	44 2.9%	135 8.7%	128 8.3%	110 7.1%	113 7.3%	129 8.3%	162 10.5%	117 7.6%	143 9.3%	106 6.9%	108 7.0%	249 16.1%	1,544 100%
Office of the Ombudsman	—	—	—	250 19.3%	—	—	—	—	250 19.3%	250 19.3%	250 19.3%	297 22.8%	1,297 100%
Government Services	16,537 5.7%	26,237 9.1%	23,742 8.2%	19,604 6.8%	20,772 7.2%	18,313 6.4%	26,163 9.1%	19,820 6.9%	16,237 5.6%	23,001 7.9%	14,019 4.9%	63,944 22.2%	288,389 100%
Housing	3,958 2.1%	6,386 3.3%	11,265 5.9%	11,986 6.2%	11,894 6.2%	22,146 11.6%	24,530 12.8%	7,140 3.7%	12,700 6.6%	23,578 12.3%	21,959 11.5%	34,189 17.8%	191,731 100%
Revenue	8,265 4.8%	12,686 7.3%	13,716 8.0%	19,487 11.3%	18,936 10.9%	9,785 5.7%	11,980 6.9%	22,181 12.8%	10,378 6.0%	29,282 16.9%	5,384 3.1%	10,915 6.3%	172,995 100%
Treasury, Economics and Intergovernmental Affairs	102,115 7.9%	170,046 13.2%	82,401 6.4%	42,367 3.3%	160,836 12.4%	115,297 8.9%	92,831 7.2%	119,489 9.3%	110,658 8.6%	54,332 4.2%	65,169 5.1%	174,334 13.5%	1,289,875 100%

MINISTRY	APRIL 1975	MAY 1975	JUNE 1975	JULY 1975	AUG. 1975	SEPT. 1975	OCT. 1975	NOV. 1975	DEC. 1975	JAN. 1976	FEB. 1976	MARCH 1976 (Note 2A)	TOTAL 1975-76
Justice Policy	6 1.7%	23 6.5%	16 4.5%	38 10.8%	22 6.2%	45 12.7%	24 6.8%	22 6.2%	19 5.4%	31 8.8%	31 8.8%	76 21.6% (Note 2B)	353 100%
Attorney General	4,974 4.9%	7,889 7.9%	9,270 9.2%	8,447 8.4%	5,676 5.6%	10,659 10.6%	9,610 9.6%	7,112 7.1%	8,833 8.8%	6,534 6.5%	7,749 7.7%	13,739 13.7%	100,492 100%
Consumer and Commercial Relations	937 2.2%	3,482 8.1%	3,223 7.4%	3,655 8.4%	3,703 8.5%	3,290 7.6%	3,539 8.2%	3,944 9.1%	2,730 6.3%	2,886 6.7%	3,093 7.1%	8,855 20.4% (Note 2B)	43,337 100%
Correctional Services	3,703 3.0%	8,742 7.2%	12,185 10.0%	10,210 8.3%	9,435 7.7%	9,706 7.9%	12,365 10.1%	8,964 7.3%	10,495 8.6%	9,604 7.8%	10,706 8.8%	16,224 13.3%	122,339 100%
Solicitor General	3,647 2.8%	10,526 8.2%	7,699 6.0%	8,056 6.3%	12,621 9.9%	11,100 8.7%	14,079 11.0%	9,495 7.4%	10,187 8.0%	10,622 8.3%	8,869 6.9%	21,118 16.5%	128,019 100%
Resources Development Policy	8 .7%	41 3.2%	57 4.4%	52 4.0%	65 5.0%	65 5.0%	73 5.7%	87 6.7%	212 16.4%	182 14.1%	149 11.6%	300 23.2% (Note 2B)	1,291 100%
Agriculture and Food	3,179 2.1%	9,094 6.0%	8,819 5.8%	7,222 4.8%	7,418 4.9%	7,409 4.9%	8,438 5.6%	6,528 4.3%	30,643 20.2%	10,689 7.0%	15,744 10.3%	36,605 24.1% (Note 2B)	151,788 100%
Energy	—	65 1.9%	467 13.4%	285 8.2%	257 7.4%	222 6.4%	296 8.5%	247 7.1%	224 6.4%	326 9.4%	272 7.8%	819 23.5% (Note 2B)	3,480 100%
Environment	1,637 2.0%	4,084 4.9%	6,604 8.0%	6,317 7.6%	6,305 7.6%	5,721 6.9%	5,107 6.2%	9,065 10.9%	5,820 7.0%	4,425 5.3%	6,470 7.8%	21,402 25.8% (Note 2B)	82,957 100%
Industry and Tourism	1,544 3.1%	3,305 6.6%	3,417 6.8%	4,207 8.4%	2,490 5.0%	3,640 7.3%	2,945 5.9%	3,299 6.6%	3,710 7.4%	3,141 6.2%	3,016 6.0%	15,437 30.7% (Note 2B)	50,151 100%
Labour	500 3.0%	1,548 9.3%	1,179 7.1%	1,520 9.2%	1,294 7.8%	1,332 8.0%	1,243 7.5%	1,515 9.1%	1,391 8.4%	1,255 7.6%	1,253 7.5%	2,580 15.5%	16,610 100%
Natural Resources	22,034 10.6%	12,459 6.0%	16,906 8.1%	21,078 10.1%	19,415 9.3%	23,310 11.2%	18,547 8.9%	12,605 6.1%	13,011 6.3%	10,203 4.9%	9,857 4.8%	28,556 13.7%	207,981 100%
Transportation and Communications	11,730 1.2%	116,289 12.1%	44,890 4.7%	152,909 15.9%	74,361 7.7%	60,757 6.3%	71,730 7.4%	58,735 6.1%	83,297 8.6%	65,343 6.8%	42,652 4.4%	181,514 18.8%	964,207 100%

MONTHLY SUMMARY OF EXPENDITURE BY MINISTRY YEAR ENDED MARCH 31, 1976—CONTINUED

(\$000's)

(See Note 1)

MINISTRY	APRIL 1975	MAY 1975	JUNE 1975	JULY 1975	AUG. 1975	SEPT. 1975	OCT. 1975	NOV. 1975	DEC. 1975	JAN. 1976	FEB. 1976	MARCH 1976 (Note 2A)	TOTAL 1975-76
Social Development Policy	16 1.1%	99 6.6%	105 7.0%	101 6.8%	93 6.2%	133 8.9%	98 6.6%	121 8.1%	90 6.0%	103 6.9%	134 9.1%	398 26.7% (Note 2B)	1,491 100%
Colleges and Universities	23,530 2.3%	81,277 8.0%	78,589 7.7%	79,096 7.8%	80,782 8.0%	80,208 7.8%	80,848 7.9%	82,767 8.1%	82,745 8.1%	119,940 11.8%	86,547 8.5%	142,805 14.0%	1,019,134 100%
Community and Social Services	34,630 3.9%	61,329 7.0%	62,558 7.1%	73,431 8.3%	66,586 7.5%	83,341 9.5%	73,623 8.4%	70,636 8.0%	69,907 7.9%	73,792 8.4%	68,857 7.8%	142,784 16.2%	881,474 100%
Culture and Recreation	1,988 1.8%	6,484 5.9%	14,108 12.9%	13,621 12.5%	6,428 5.9%	13,706 12.6%	7,600 7.0%	5,664 5.2%	7,705 7.1%	6,271 5.8%	7,132 6.6%	18,149 16.7%	108,856 100%
Education	137,313 7.7%	275,490 15.5%	173,783 9.8%	325,223 18.3%	63,279 3.6%	133,756 7.5%	137,517 7.7%	132,517 7.5%	222,666 12.5%	47,159 2.7%	52,663 3.0%	74,293 4.2%	1,775,659 100%
Health	231,311 7.7%	169,670 5.7%	237,443 8.0%	239,881 8.0%	241,393 8.1%	254,095 8.5%	241,439 8.1%	240,647 8.1%	251,231 8.4%	261,375 8.7%	255,553 8.6%	362,518 12.1%	2,986,556 100%
	616,054 5.8%	988,004 9.3%	814,290 7.6%	1,052,505 9.9%	816,141 7.7%	875,145 8.2%	849,240 8.0%	825,577 7.8%	956,849 9.0%	765,316 7.2%	690,795 6.5%	1,382,325 13.0%	10,632,241 100%

NOTE 1: Expenditure figures are as recorded by the Financial Information and Accounting Policy Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.

NOTE 2: Factors contributing to above average expenditure in March 1976 included the following:

A. General—In accordance with The Financial Administration Act, payments made in April 1976 for goods and services pertaining to the 1975-76 fiscal year were considered March 1976 expenditure and were charged to the appropriations of the 1975-76 fiscal year. This practice contributes to higher than average expenditure being recorded in March and lower than average expenditure being recorded in April.

Consistent with the foregoing, salaries and wages paid on April 1, 1976 were recorded as March expenditure resulting in three, rather than two, payroll payments being included in March 1976 expenditure. In addition, retroactive salary revisions approved by Order in Council on March 3, 1976 were also paid and recorded as March 1976 expenditure.

- B. Office of the Assembly—Expenditure recorded in March 1976 included a \$7.7 million payment made to eliminate the unfunded liability as at March 31, 1974 in the Legislative Assembly Retirement Allowances Account. This payment was authorized by Order in Council dated April 21, 1976.
- Government Services—Expenditure for the 1975-76 fiscal year in respect of the unfunded liability of the Public Service Superannuation Fund totalled \$29.7 million. Of this amount, \$24.7 million was recorded in March 1976.
- Justice Policy—Total expenditure for the year, approximately \$353,000, was relatively small. Minor variations in dollar expenditure from month to month can cause considerable fluctuation in percentage calculations.
- Consumer and Commercial Relations—The Rent Review Program effectively commenced in January 1976 and expenditure for the three months ended March 31, 1976 totalled \$2.3 million. Of this amount \$2 million was expended in March 1976.
- Resources Development Policy—See comments under "Justice Policy".
- Agriculture and Food—Expenditure in respect of the Farm Tax Reduction Program amounted to \$32.5 million for the 1975-76 fiscal year, with the bulk of the payment activity being concentrated in the last three months of the period. March 1976 expenditure under this program totalled \$14.5 million.
- The Farm Tax Reduction Program, 1975 was authorized by Order in Council dated October 29, 1975. Applications for grants under the program were subsequently received, the flow of which resulted in the above-mentioned concentration of payment activity.
- Energy—See comments under "Justice Policy".
- Environment—Grants to municipalities and payments to municipalities towards the cost of sewage and water facilities totalled \$12.7 million for the 1975-76 fiscal year. Of this amount, approximately \$5 million was expended in March 1976.
- Industry and Tourism—Management Board Orders dated March 16, 1976 authorized write-offs aggregating \$9 million with respect to loans made under the Industrial Incentives and Development Program by the Ontario Development Corporation and the Northern Ontario Development Corporation. The expenditure represented by these write-offs was recorded in March 1976.
- Social Development Policy—See comments under "Justice Policy".

MANAGEMENT BOARD ORDERS

AMOUNTS AUTHORIZED AND EXPENDED THEREUNDER
DURING THE YEAR ENDED MARCH 31, 1976

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	Office of the Lieutenant Governor	\$	\$
Feb. 3, 1976	Office of the Lieutenant Governor Program: Office of the Lieutenant Governor	25,700	24,092
		25,700	24,092
	Management Board of Cabinet		
April 13, 1976	Personnel Services Program: French Language Services	100,000	100,000
May 11, 1976	French Language Services	36,005	34,392
		136,005	134,392
	Ministry of Government Services		
March 9, 1976	Provision of Accommodation Program: Administration	150,000	101,425
March 9, 1976	Real Property Acquisition	8,135,350	6,674,173
March 9, 1976	Advisory Services	250,000	227,350
	Supply and Services Program:		
Feb. 10, 1976	Program Administration	45,700	2,201
March 30, 1976	Collection Services	500	—
Dec. 9, 1975	Government Mail Services	292,000	287,052
March 16, 1976	Employee Benefits	15,465,000	14,897,127
March 23, 1976	Government Payments	190,000	—
March 23, 1976	Telecommunications	450,000	334,570
March 9, 1976	Protocol Services	43,600	3,869
	Management and Information Services Program:		
March 30, 1976	Management Consulting Services	121,000	93,561
March 30, 1976	Management Consulting Services	22,000	—
March 30, 1976	Systems Development Services	320,000	292,574
March 30, 1976	Systems Development Services	90,400	—
		25,575,550	22,913,902

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	Ministry of Housing		
Jan. 27, 1976	Community Planning Program:		
	Administration	1,091,900	789,042
April 13, 1976	Housing Action Program:		
	Administration	240,000	239,084
Jan. 27, 1976	Home Buyers Grant Program:		
Jan. 20, 1976	Administration	403,000	403,000
	Home Buyers Grant Fund	25,500,000	24,228,070
		27,234,900	25,659,196
	Ministry of Revenue		
March 16, 1976	Support Services Program:		
	Administrative Services	114,700	76,079
Jan. 20, 1976	Guaranteed Income and Tax Credit Program:		
	Transfer Payments	900,000	—
		1,014,700	76,079
	Ministry of Treasury, Economics and Intergovernmental Affairs		
Nov. 25, 1975	Tax Reform Program:		
Dec. 16, 1975	Unconditional Grants	21,000,000	20,819,594
Feb. 3, 1976	Payments on Provincial Properties	1,200,000	1,199,699
	Tax Credit Assistance	50,000	29,713
March 16, 1976	General Financial Assistance Program:		
	Employment Incentive Programs	4,000,000	3,948,743
		26,250,000	25,997,749
	Ministry of the Attorney General		
March 9, 1976	Law Officer of the Crown Program:		
March 30, 1976	Attorney General	30,000	30,000
March 30, 1976	Attorney General	1,900	1,684
March 30, 1976	Deputy Attorney General	2,800	—
Sept. 11, 1975	Royal Commissions	524,000	524,000
Nov. 18, 1975	Royal Commissions	1,642,000	1,564,410
Feb. 24, 1976	Administrative Services Program:		
April 20, 1976	Administration	1,406,700	1,406,700
March 30, 1976	Administration	800,000	652,249
March 9, 1976	Financial Management	14,200	—
March 30, 1976	Management Audit	25,000	24,437
	Management Audit	10,800	—
March 30, 1976	Guardian and Trustee Services Program:		
March 9, 1976	Official Guardian	15,200	15,169
March 30, 1976	Public Trustee	100,000	100,000
March 23, 1976	Public Trustee	35,800	35,764
	Supreme Court Accountant	12,000	11,624

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	Ministry of the Attorney General—Continued		
March 30, 1976	Supreme Court Accountant	2,000	—
	Crown Legal Services Program:		
March 9, 1976	Crown Attorneys System	330,000	330,000
March 23, 1976	Crown Attorneys System	340,000	340,000
March 30, 1976	Crown Attorneys System	263,400	148,024
	Legislative Counsel Services Program:		
March 23, 1976	Legislative Counsel Services	10,000	8,105
March 30, 1976	Legislative Counsel Services	9,000	—
	Courts Administration Program:		
March 9, 1976	Program Administration	540,000	68,032
March 23, 1976	Supreme Court of Ontario	30,000	11,336
March 30, 1976	Supreme Court of Ontario	12,400	—
March 23, 1976	County, District and Small Claims Courts	608,000	608,000
March 30, 1976	County, District and Small Claims Courts	26,300	26,196
March 23, 1976	Provincial Courts	660,000	344,697
March 30, 1976	Provincial Courts	73,700	—
	Administrative Tribunals Program:		
March 9, 1976	Criminal Injuries Compensation Board	164,000	156,575
March 30, 1976	Criminal Injuries Compensation Board	3,200	—
		7,692,400	6,407,002
	Ministry of Consumer and Commercial Relations		
	Ministry Administration Program:		
March 30, 1976	Management Secretariat	26,200	19,827
	Commercial Standards Program:		
March 30, 1976	Motor Vehicle Accident Claims Fund	302,700	296,576
March 30, 1976	Companies	31,000	31,000
April 20, 1976	Companies	49,000	48,856
	Technical Standards Program:		
March 30, 1976	Upholstered and Stuffed Articles	2,200	—
	Public Entertainment Standards Program:		
March 30, 1976	Regulation of Horse Racing	14,400	11,734
March 30, 1976	Theatres	17,800	10,634
	Property Rights Program:		
March 30, 1976	Personal Property Registration	384,200	384,155
		827,500	802,782
	Ministry of Correctional Services		
	Ministry Administration Program:		
Dec. 16, 1975	Personnel Services	309,200	309,200
March 30, 1976	Personnel Services	50,000	47,195
	Rehabilitation of Adult Offenders Program:		
March 2, 1976	General Administration	389,600	389,600
March 30, 1976	General Administration	129,500	70,093
March 16, 1976	Care, Treatment and Training of Adult Offenders	4,445,300	4,445,300

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	Ministry of Correctional Services—Continued		
March 30, 1976	Care, Treatment and Training of Adult Offenders	1,524,400	1,486,300
March 30, 1976	Ontario Board of Parole	5,300	2,444
March 30, 1976	Rehabilitation of Juveniles Program: General Administration	201,900	145,007
		7,055,200	6,895,139
	Ministry of the Solicitor General		
	Ministry Administration Program:		
April 6, 1976	Financial Services	7,200	—
April 6, 1976	Personnel Services	9,100	—
April 6, 1976	Planning and Evaluation	2,800	—
	Supervision of Police Forces Program:		
April 6, 1976	Ontario Police Commission	102,500	97,178
April 6, 1976	Ontario Police College	70,000	64,266
	Ontario Provincial Police Management Program:		
April 6, 1976	Office of the Commissioner	239,000	194,119
April 6, 1976	Staff Inspection	76,600	53,220
April 6, 1976	In-Service Training	74,100	68,020
April 6, 1976	Properties	7,500	4,095
April 6, 1976	Staff Development	110,000	109,606
	Ontario Provincial Police Criminal and General Law Enforcement Program:		
April 6, 1976	Communications	2,700	1,115
April 6, 1976	Law Enforcement—Uniform	6,144,700	5,881,808
April 6, 1976	Law Enforcement—Civilian	238,000	181,365
April 6, 1976	Ontario Government Protective Service	318,000	306,898
	Ontario Provincial Police Traffic Law Enforcement Program:		
April 6, 1976	Communications	2,700	1,115
April 6, 1976	Law Enforcement—Uniform	6,144,700	5,881,808
April 6, 1976	Law Enforcement—Civilian	238,000	181,365
		13,787,600	13,025,978
	Resources Development Policy		
	Resources Development Policy Program:		
Dec. 16, 1975	Commission on Hydro Long Range Planning	300,000	300,000
March 9, 1976	Commission on Hydro Long Range Planning	210,000	204,459
		510,000	504,459

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	Ministry of Agriculture and Food		
March 30, 1976	Ministry Administration Program:		
March 30, 1976	Main Office	50,000	10,910
	Legal Services	14,000	13,261
March 16, 1976	Agricultural Production Program:		
	Assistance to Primary Food Production	4,000,000	3,553,346
April 13, 1976	Agricultural Marketing Program:		
	Marketing	100,000	67,821
		4,164,000	3,645,338
	Ministry of Energy		
April 13, 1976	Energy Policy Program:		
	Energy Policy	38,800	5,284
Dec. 16, 1975	Ontario Energy Corporation Program:		
	Ontario Energy Corporation	209,300	168,793
		248,100	174,077
	Ministry of the Environment		
April 13, 1976	Ministry Support Services Program:		
March 30, 1976	Legal Services	29,000	28,969
April 13, 1976	Technical Support Services	2,000	2,000
	Technical Support Services	30,000	21,950
	Environmental Assessment and Planning Program:		
April 13, 1976	Program Administration	40,000	34,165
March 30, 1976	Air Resources	2,000	—
April 13, 1976	Water Resources	63,000	—
March 30, 1976	Environmental Approvals and Land Use	39,000	35,494
April 13, 1976	Environmental Approvals and Land Use	9,000	—
	Environmental Control Program:		
March 30, 1976	Program Administration	8,000	8,000
April 13, 1976	Program Administration	102,000	55,753
March 30, 1976	Industrial Abatement	79,000	79,000
April 13, 1976	Industrial Abatement	1,204,000	1,177,950
March 30, 1976	Municipal and Private Abatement	46,000	46,000
April 13, 1976	Municipal and Private Abatement	493,000	396,234
March 30, 1976	Utility Plant Development and Construction	10,300,000	9,781,767
		12,446,000	11,667,282
	Ministry of Industry and Tourism		
March 23, 1976	Ministry Central Office Program:		
	Main Office	23,500	23,050
March 2, 1976	Industry Development Program:		
	Industry Technology Development	164,000	164,000

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
		\$	\$
	Ministry of Industry and Tourism—Continued		
March 23, 1976	Industry Technology Development	120,400	104,886
	Tourism Development Program:		
Jan. 13, 1976	Tourism Industry Development	895,000	810,566
	Operations Program:		
March 23, 1976	Ontario House	65,600	51,569
March 23, 1976	Overseas	79,400	45,133
March 23, 1976	Americas	53,600	35,466
	Administration Program:		
March 23, 1976	Program Administration	4,000	—
March 23, 1976	Financial and Office Services	4,400	—
March 23, 1976	Personnel Services	13,200	7,860
March 23, 1976	Management Services	12,100	8,030
	Ontario Place Corporation Program:		
Feb. 17, 1976	Ontario Place Development	40,000	40,000
	Industrial Incentives and Development Program:		
March 16, 1976	Ontario Development Corporation	4,000,000	2,337,389
March 16, 1976	Northern Ontario Development Corporation	5,000,000	4,663,493
		10,475,200	8,291,442
	Ministry of Labour		
	Ministry Administration Program:		
Dec. 2, 1975	Main Office	62,100	36,242
	Human Rights Commission Program:		
April 6, 1976	Office of the Chairman	40,000	20,779
		102,100	57,021
	Ministry of Natural Resources		
	Ministry Administration Program:		
April 6, 1976	Field Offices	213,800	213,096
April 13, 1976	Information Services	100,000	69,654
	Land Management Program:		
Jan. 20, 1976	Air Service	133,400	133,400
March 9, 1976	Air Service	159,100	159,100
April 6, 1976	Air Service	77,800	36,195
Feb. 10, 1976	Extra Fire Fighting	6,048,000	6,048,000
March 23, 1976	Extra Fire Fighting	65,500	46,177
March 30, 1976	Conservation Authorities	1,304,000	1,030,126
		8,101,600	7,735,748
	Ministry of Transportation and Communications		
	Ministry Administration Program:		
April 13, 1976	Executive	135,000	—
March 23, 1976	Legal Services	80,000	70,977
	Planning, Research and Development Program:		
Dec. 16, 1975	Research and Development	6,100,000	4,130,696

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	Ministry of Transportation and Communications—Continued	\$	\$
	Safety and Regulation Program:		
April 20, 1976	Licensing	850,000	423,659
	Provincial Roads Program:		
April 13, 1976	Maintenance	3,900,000	3,676,019
	Air Program:		
March 16, 1976	Operations	160,000	154,943
	Municipal Transit Program:		
Dec. 16, 1975	Capital and Construction	5,075,700	2,918,201
		16,300,700	11,374,495
	Social Development Policy		
	Social Development Policy Program:		
April 13, 1976	Social Development Policy	146,200	75,997
April 13, 1976	Social Development Councils	115,000	100,875
		261,200	176,872
	Ministry of Colleges and Universities		
	University Support Program:		
April 6, 1976	Ontario Council on University Affairs	15,000	3,496
	Colleges and Adult Education Support Program:		
Feb. 17, 1976	Grants for Colleges of Applied Arts and Technology and other Organizations	3,692,450	3,692,450
March 2, 1976	Grants for Colleges of Applied Arts and Technology and other Organizations	1,285,000	863,117
	Student Affairs Program:		
Feb. 17, 1976	Program Administration	88,000	88,000
April 13, 1976	Program Administration	35,000	13,427
Feb. 10, 1976	Student Support	2,250,000	1,770,397
Jan. 27, 1976	Summer Experience Youth Projects	800,000	324,943
		8,165,450	6,755,830
	Ministry of Community and Social Services		
	Ministry Administration Program:		
March 2, 1976	Board of Review	30,000	29,321
	Social and Institutional Services Program:		
Feb. 3, 1976	Services for Children	4,000,000	4,000,000
April 13, 1976	Services for Children	395,000	382,356
April 13, 1976	Services for Adults	535,000	535,000
April 20, 1976	Services for Adults	2,680,000	2,620,191
		7,640,000	7,566,868

DATE OF ORDER	SERVICE	AUTHORIZED	EXPENDED
	Ministry of Culture and Recreation	\$	\$
	Ministry Administration Program:		
Nov. 4, 1975	Main Office	200,000	200,000
March 30, 1976	Main Office	145,500	50,748
March 30, 1976	Financial and Administrative Services	300,000	123,460
March 30, 1976	Communication Services	30,300	10,423
	Libraries and Community Information Program:		
March 9, 1976	Library Services	28,500	19,973
	Sports and Fitness Program:		
Nov. 4, 1975	Community Assistance	7,600,000	7,600,000
March 2, 1976	Community Assistance	2,400,000	1,096,933
		10,704,300	9,101,537
	Ministry of Education		
	Ministry Administration Program:		
Jan. 27, 1976	General Administration	233,000	92,152
	Education Development and Administration Program:		
March 9, 1976	Correspondence Courses Services	450,000	449,488
Jan. 6, 1976	School Business and Finance	57,400,000	57,400,000
March 16, 1976	School Business and Finance	19,000,000	18,637,039
		77,083,000	76,578,679
	Ministry of Health		
	Treatment and Rehabilitation Program:		
March 2, 1976	General Hospitals and Related Activities	2,540,750	2,462,842
Feb. 17, 1976	Extended Care and Rehabilitation Services	12,000,000	8,175,431
March 2, 1976	Psychiatric Services	9,563,050	8,825,651
		24,103,800	19,463,924
	Total Management Board Orders	289,905,005	265,029,883

**STATUTORY APPROPRIATIONS
AMOUNTS EXPENDED THEREUNDER
DURING THE YEAR ENDED MARCH 31, 1976**

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Office of the Assembly	The Election Act	Expenditure	10,828,920
	Contribution to Legislative Assembly		
	Retirement Allowances Account	Expenditure	7,946,460
	Commission on Election Contributions and Expenses	Expenditure	1,595,680
			20,371,060
Office of the Premier	Premier's Salary	Expenditure	25,000
			25,000
Cabinet Office	Ministers Without Portfolio Salaries	Expenditure	12,274
			12,274
Management Board of Cabinet	Minister's Salary	Expenditure	18,000
	Reserve for Outstanding Cheques	Charge	389
			18,389
Office of Provincial Auditor	Provincial Auditor's Salary	Expenditure	46,590
			46,590
Office of the Ombudsman	The Ombudsman	Expenditure	1,297,044
			1,297,044
Ministry of Government Services	Minister's Salary	Expenditure	18,000
	Ministers Without Portfolio Salaries	Expenditure	5,000
	Government Printing Account	Expenditure	28,039
	Government Mail Services	Expenditure	21,000
	Payments under Section 19 of The Public Service Superannuation Amendment Act, 1960-61	Expenditure	2,143
	Employee Benefits (Government Contributions)	Expenditure	71,883
	Supplementary Life and Long Term Income Protection	Charge	1,226,361
	Ontario Land Corporation—Land Maintenance	Charge	270,853
	Ontario Housing Corporation—Land Maintenance	Charge	129,582
	Contract Security Deposits	Charge	81,441
	Effingham Park Expropriation Trust Account	Charge	49,126
	Reserve for Outstanding Cheques	Charge	8,241

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Government Services (Cont'd)	Publications Deposit Trust Account	Charge	639
			1,912,308
Ministry of Housing	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,433
	Grants to Assist in the Erection of Housing Units for Elderly Persons	Expenditure	757,000
			779,433
Ministry of Revenue	Minister's Salary	Expenditure	18,000
	Retail Sales Tax—Contract Security Deposits	Charge	208,466
	Province of Ontario Savings Office Program	Expenditure	2,383,395
			2,609,861
Ministry of Treasury, Economics and Intergovern- mental Affairs	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	2,036
	<i>Public Debt</i>		
	Interest on Securities Issued		
	In Provincial Account	Expenditure	436,772,514
	On behalf of Ontario Hydro	Expenditure	142,401,864
	To Teachers' Superannuation Fund	Expenditure	109,852,660
	To Ontario Municipal Employees' Retirement Fund	Expenditure	52,800,633
	Interest on Public Service Superannuation Fund	Expenditure	61,610,660
	Interest on Savings Office Deposits	Expenditure	23,906,716
	Other Interest, Exchange, Discount and Commission	Expenditure	39,402,598
	<i>Development Loans</i>		
	The Ontario Education Capital Aid Corporation	Disbursement	97,657,000
	The Ontario Universities Capital Aid Corporation	Disbursement	42,294,020
	The Ontario Municipal Improvement Corporation	Disbursement	8,610,610
	<i>Other Loans and Advances</i>		
	Ontario Hydro	Disbursement	575,000,000
	Ontario Northland Transportation Commission	Disbursement	11,000,000
	The Crop Insurance Commission of Ontario	Disbursement	2,600,000
	<i>Pension Funds, Deposit, Trust and Reserve Accounts</i>		
	Payments from Ontario Energy Corporation Trust Account	Charge	28,205,640

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Treasury, Economics and Intergovern- mental Affairs (Cont'd)	Payments from Public Service Super- annuation Fund	Charge	47,053,064
	Payments from Legislative Assembly Retirement Allowances Account	Charge	519,236
	Other	Charge	673,915
	<i>Urban and Regional Planning</i>		
	The District Municipality of Muskoka Act	Expenditure	150,000
	The Regional Municipality of Sudbury Act, 1972	Expenditure	122,589
	The Regional Municipality of Waterloo Act, 1972	Expenditure	34,602
	The Regional Municipality of Durham Act, 1972	Expenditure	44,846
	The Regional Municipality of Halton Act, 1973	Expenditure	33,702
	The Regional Municipality of Peel Act, 1973	Expenditure	34,132
	The Regional Municipality of Hamilton- Wentworth Act, 1973	Expenditure	63,594
	The Regional Municipality of Haldimand- Norfolk Act, 1973	Expenditure	23,165
	The County of Oxford Act, 1974	Expenditure	5,198
	The Municipal Amendment Act, 1974 (No. 3)	Expenditure	13,068
	Loans to Municipalities under The Shore- line Property Assistance Act, 1973	Disbursement	477,200
	Special Assistance to Municipalities	Expenditure	56,000
	Ontario Land Corporation	Disbursement	22,100,000
	<i>Debt Transactions</i>		
	Debenture Repayment	Repayments of loans	82,834,247
			1,786,373,509
Justice Policy	Parliamentary Assistant's Salary	Expenditure	2,582
			2,582
Ministry of the Attorney General	Minister's Salary	Expenditure	18,000
	Proceedings Against the Crown Act	Expenditure	117,947
	Allowances to Supreme Court Judges	Expenditure	150,693
	Allowances to Judges—Surrogate Courts Act	Expenditure	221,060
	Allowances to Judges—Extra Judicial Services Act	Expenditure	315,757
			823,457
Ministry of Consumer and Commercial Relations	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Reserve for Outstanding Cheques	Charge	766
	Payments from the Motor Vehicle Accident Claims Fund	Charge	14,968,369

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Consumer and Commercial Relations (Cont'd)	<i>Security Bond Forfeitures</i>		
	The Motor Vehicle Dealers Act	Charge	70,000
	The Real Estate and Business Brokers Act	Charge	29,100
	The Consumer Protection Act	Charge	20,000
	Crown Contributions re Judges' Plans	Expenditure	9,048
	Fees under The Vital Statistics Act	Expenditure	384
	Liquor Licence Board of Ontario	Expenditure	1,325,403
	Liquor Licence Appeal Tribunal	Expenditure	20,170
	Rent Review Program	Expenditure	2,334,728
			18,800,968
Ministry of Correctional Services	Minister's Salary	Expenditure	18,000
	Reserve for Outstanding Cheques	Charge	405
			18,405
Ministry of the Solicitor General	Minister's Salary	Expenditure	13,516
	Payments under The Ministry of Treasury, Economics and Intergovernmental Affairs Act	Expenditure	13,433
	Hearings under The Police Act	Expenditure	9,166
			36,115
Resources Development Policy	Minister's Salary	Expenditure	18,000
			18,000
Ministry of Agriculture and Food	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	<i>Payment of Guarantees</i>		
	Payment to Chartered Banks re Guaranteed Loan Programs	Expenditure	137,179
	Subsidy Payments to The Ontario Crop Insurance Fund	Expenditure	5,690,546
	Tile Drainage Debentures (The Tile Drainage Act)	Disbursement	16,219,600
	Reserve for Outstanding Cheques	Charge	90
	Richard Blake Palmer Trust Fund	Charge	4,194
			22,074,609
Ministry of Energy	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	3,525
			21,525

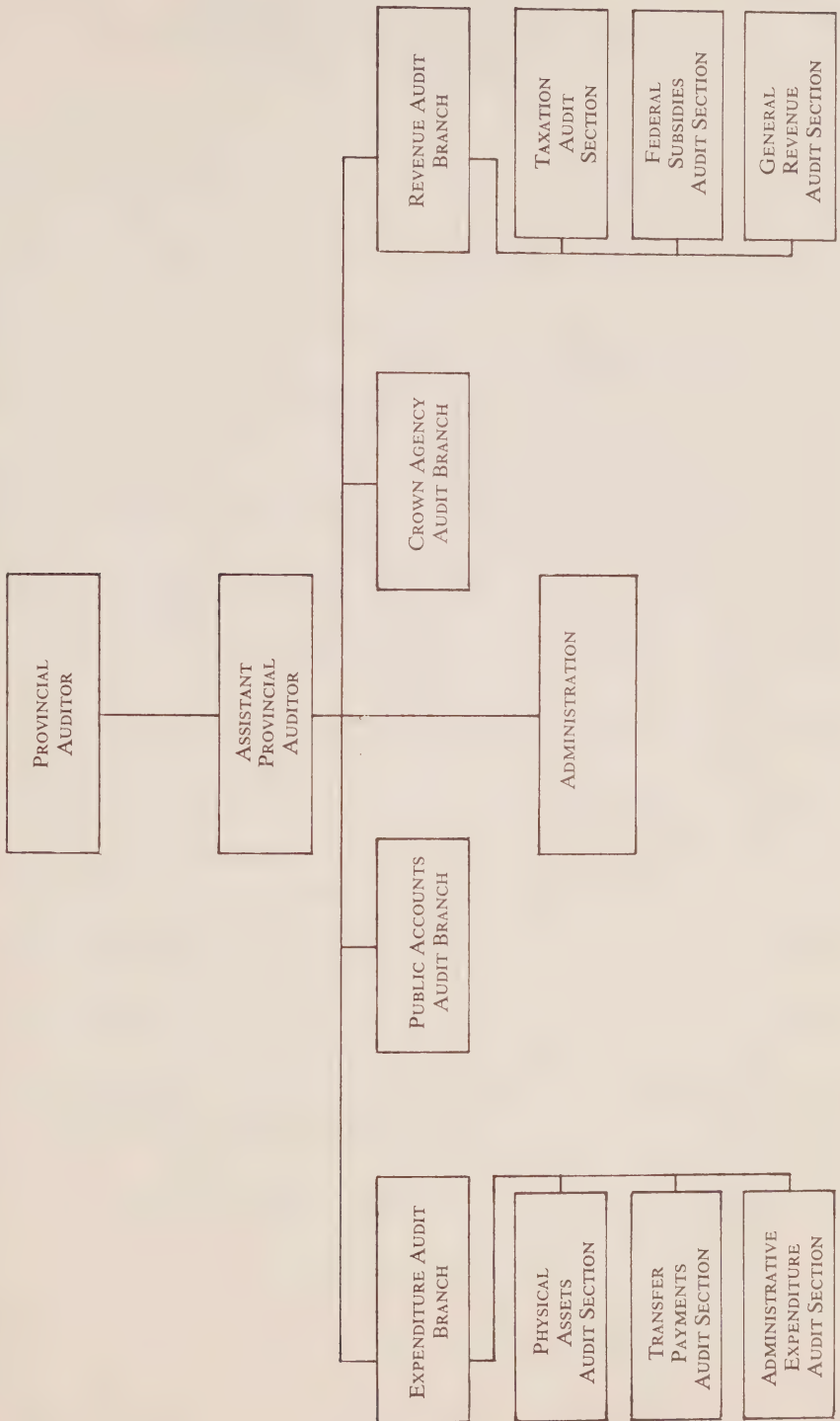
MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of the Environment	Minister's Salary	Expenditure	18,000
	Reserve Fund for Renewals, Replacements and Contingencies	Charge	289,933
	Sinking Fund for Recovery of Cost of Capital Assets	Charge	25,544
			333,477
Ministry of Industry and Tourism	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	2,582
	Ontario Development Corporation Term Loan Program	Disbursement	18,737,990
	Northern Ontario Development Corporation Term Loan Program	Disbursement	20,883,906
	Eastern Ontario Development Corporation Term Loan Program	Disbursement	11,126,528
			50,769,006
Ministry of Labour	Minister's Salary	Expenditure	18,000
	Unclaimed Vacation-With-Pay Trust Account	Charge	2,365,185
	Employment Standards Unclaimed Wages	Charge	191,873
			2,575,058
Ministry of Natural Resources	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Contract Security Deposits	Charge	29,400
	The Pits and Quarries Control Act, 1971	Charge	118,987
	The Algonquin Forestry Authority Act, 1974	Disbursement	400,000
	Forgiveness of Loans Made to Commercial Fishermen under The Fisheries Loans Act, net of Contribution by Government of Canada	Expenditure	704,923
	Charge to Reserve Account—Loans to Commercial Fishermen under The Fisheries Loans Act	Charge	193,241
	Mine Rescue Training	Expenditure	73,406
	Contract Security Deposits	Charge	3,700
			1,546,657
Ministry of Transportation and Communications	Minister's Salary	Expenditure	18,000
	Parliamentary Assistants' Salaries	Expenditure	5,194
	City of Niagara Falls—Compensation for Loss of Taxes	Expenditure	12,000
	<i>Trust Accounts</i>		
	Contract Security Deposits	Charge	2,000
	Construction Trust Account	Charge	175,194
			212,388
Social Development Policy	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	970
			18,970

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
Ministry of Colleges and Universities	Minister's Salary		\$
	Parliamentary Assistant's Salary	Expenditure	18,000
	Reserve for Outstanding Cheques	Expenditure	2,582
	The Private Vocational Schools Act, 1974	Charge	34
	Queen Elizabeth II Ontario Scholarship Fund (Income Account)	Charge	1,380
		Charge	17,724
			39,720
Ministry of Community and Social Services	Minister's Salary	Expenditure	18,000
	Bequests and Scholarships	Charge	3,723
			21,723
Ministry of Culture and Recreation	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Ontario Olympic Lottery Sports Fund	Charge	2,288,490
	Contract Security Deposits—Athletics Commissioner	Charge	12,600
			2,324,090
Ministry of Education	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,508
	Teachers' Superannuation Fund (The Teachers' Superannuation Act, Sections 22 and 23)	Expenditure	73,589,765
	Superannuation Adjustment Fund (The Superannuation Adjustment Benefits Act, 1975)	Expenditure	8,717,899
	Superannuation Adjustment Benefits (The Superannuation Adjustment Benefits Act, 1975)	Expenditure	1,746,900
	Bequests and Scholarships	Charge	17,372
	Correspondence Courses Relocation Incidentals	Charge	9,365
	Student Aid Loans Write-Off	Expenditure	5,623
	Education Relations Commission	Expenditure	398,646
			84,508,078
Ministry of Health	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,508
	Reserve for Outstanding Cheques	Charge	18,777
	Ontario Hospital Association—Blue Cross	Charge	6,091
	Home Care Program of Metropolitan Toronto	Charge	1,401
	Estates' Funds	Charge	4,994
	Bequests	Charge	38,021
	Hospital Trust Accounts	Charge	3
	Government Pharmacy Account	Expenditure	1,230,854
			1,322,649
Total Statutory Payments			1,998,912,945

Summary of Statutory Payments

	\$
Expenditure	989,636,935
Disbursements and Charges	926,441,763
Repayments of Loans	82,834,247
	<hr/>
Total	<u><u>1,998,912,945</u></u>

EXHIBIT 8

ORGANIZATION CHART
OFFICE OF PROVINCIAL AUDITOR

**REVENUE AND EXPENDITURE AUDITS
OFFICE OF PROVINCIAL AUDITOR****Year Ended March 31, 1976**

Administrative Expenditure, Ministry of Agriculture and Food
Revenue and Trust Funds, Horticultural Research Institute of Ontario, Ministry
of Agriculture and Food
Revenue and Trust Funds, Kemptville College of Agricultural Technology,
Ministry of Agriculture and Food
Revenue and Trust Funds, New Liskeard College of Agricultural Technology,
Ministry of Agriculture and Food
Transfer Payments, Ministry of Agriculture and Food
Expenditure, Ministry of the Attorney General
Revenue, Ministry of the Attorney General
Administrative Expenditure, Ministry of Colleges and Universities
Revenue, Ministry of Colleges and Universities
Transfer Payments, Ministry of Colleges and Universities
Administrative Expenditure, Ministry of Community and Social Services
Revenue and Trust Funds, Ministry of Community and Social Services
Revenue and Trust Funds, Midwestern Regional Centre, Ministry of
Community and Social Services
Revenue and Trust Funds, Pine Ridge, Ministry of Community and Social
Services
Revenue and Trust Funds, Rideau Regional Centre, Ministry of Community and
Social Services
Review of Overpayments of Allowances under The Family Benefits Act,
Ministry of Community and Social Services
Expenditure, Ministry of Consumer and Commercial Relations
Revenue and Trust Funds, Burtch Correctional Centre, Ministry of Correctional
Services
Revenue and Trust Funds, Glendale Adult Training Centre, Ministry of
Correctional Services
Revenue and Trust Funds, Grandview School, Ministry of Correctional Services
Revenue and Trust Funds, Niagara Detention Centre, Ministry of Correctional
Services
Revenue and Trust Funds, Oakville Reception and Assessment Centre, Ministry
of Correctional Services
Revenue and Trust Funds, Ontario Correctional Institute, Ministry of
Correctional Services
Revenue and Trust Funds, Ottawa-Carleton Detention Centre, Ministry of
Correctional Services
Revenue and Trust Funds, Project D.A.R.E., Portage Lake, Ministry of
Correctional Services

Revenue and Trust Funds, Vanier Centre for Women, Ministry of Correctional Services

Administrative Expenditure, Ministry of Culture and Recreation

Review of Olympic Lottery of Canada Corporation's Financial Records
Pertaining to Olympic Lottery Draws #1-#6, Ministry of Culture and Recreation

Transfer Payments and Acquisition/Construction of Physical Assets, Ministry of Culture and Recreation

Revenue and Trust Funds, Ministry of Education

Revenue and Trust Funds, The Robarts School, Ministry of Education

Expenditure, Ministry of Energy

Revenue, Ministry of Energy

Disbursements for Sewage and Water Treatment and Waste Utilization Facilities, Ministry of the Environment

Revenue, Ministry of the Environment

Acquisition/Construction of Physical Assets, Ministry of Government Services

Bank Reconciliations and Related Activities, Ministry of Government Services

Expenditure, Senior Compensation Plan Payroll, Ministry of Government Services

Administrative Expenditure, Ministry of Health

Revenue, Ministry of Health

Revenue and Trust Funds, Brockville Psychiatric Hospital, Ministry of Health

Revenue and Trust Funds, Goderich Psychiatric Hospital, Ministry of Health

Revenue and Trust Funds, Kingston Psychiatric Hospital, Ministry of Health

Revenue and Trust Funds, Northeastern Regional Mental Health Centre, Ministry of Health

Review of Cash Advance Arrangements for Federal Subsidies, Ministry of Health

Transfer Payments, Ministry of Health

Revenue, Ministry of Housing

Expenditure, Ministry of Industry and Tourism

Revenue, Ministry of Industry and Tourism

Expenditure, Ministry of Labour

Revenue and Expenditure, Management Board of Cabinet

Acquisition/Construction of Physical Assets, Ministry of Natural Resources

Revenue, Ministry of Natural Resources

Revenue, Mining Recorder's Office, Kenora, Red Lake, Sioux Lookout, Ministry of Natural Resources

Revenue, Mining Recorder's Office, Sault Ste. Marie, Ministry of Natural Resources

Revenue and Trust Funds, Temiskaming Testing Laboratory, Ministry of Natural Resources

Review of Aircraft Maintenance, Air Services Branch, Ministry of Natural Resources

Transfer Payments, Ministry of Natural Resources

Administrative Expenditure, Ministry of Revenue

Revenue, Ministry of Revenue

Transfer Payments, Ministry of Revenue

Expenditure, Ministry of the Solicitor General

Revenue, Ministry of the Solicitor General

Acquisition/Construction of Physical Assets, Ministry of Transportation and Communications

Administrative Expenditure, Ministry of Transportation and Communications

Revenue, Registrar of Motor Vehicles, Ministry of Transportation and Communications

Transfer Payments, Ministry of Transportation and Communications

Administrative Expenditure, Ministry of Treasury, Economics and Intergovernmental Affairs

Securities Branch, Ministry of Treasury, Economics and Intergovernmental Affairs

Transfer Payments and Acquisition/Construction of Physical Assets, Ministry of Treasury, Economics and Intergovernmental Affairs

NOTE: In general, this listing includes audits completed between the date of preparation (October 31, 1975) of our 1974-75 Report and the date (September 30, 1976) of our 1975-76 Report. In all cases at least a portion of the period covered by the audit fell within the year ended March 31, 1976.

**CROWN AGENCY AUDITS
OFFICE OF PROVINCIAL AUDITOR**

Year Ended March 31, 1976

(a) Audited by Provincial Auditor pursuant to appointment under the various related statutes.

The Accountant of the Supreme Court of Ontario
Agricultural Rehabilitation and Development Directorate of Ontario
Alcoholism and Drug Addiction Research Foundation

*Algonquin Forestry Authority

The Centennial Centre of Science and Technology

Commission on Election Contributions and Expenses (established in 1975-76)

*The Crop Insurance Commission of Ontario

*Eastern Ontario Development Corporation

The Fund for Milk and Cream Producers, The Milk Commission of Ontario

Health Insurance Registration Board (dissolved July 8, 1975)

The John Graves Simcoe Memorial Foundation

The Law Society of Upper Canada, Legal Aid Fund

*Liquor Control Board of Ontario

Liquor Licence Board of Ontario

The McMichael Canadian Collection

The Niagara Parks Commission (October 31, 1975)

*Northern Ontario Development Corporation

North Pickering Development Corporation
(established in 1975-76)

Office of the Assembly

Office of the Official Guardian

Office of the Ombudsman (established in 1975-76)

Ontario Agricultural Museum (Note 3)

The Ontario Cancer Treatment and Research Foundation
(December 31, 1975)

Ontario Deposit Insurance Corporation (December 31, 1975)

*Ontario Development Corporation

*The Ontario Education Capital Aid Corporation

The Ontario Educational Communications Authority

Ontario Food Terminal Board

The Ontario Heritage Foundation

*Ontario Housing Corporation, including Ontario Housing Corporation—Metropolitan Toronto Federal-Provincial Projects (December 31, 1975)

*The Ontario Junior Farmer Establishment Loan Corporation
Ontario Lottery Corporation

- *The Ontario Municipal Improvement Corporation
- *Ontario Northland Transportation Commission
(December 31, 1975)
- Ontario Place Corporation
- The Ontario Producers, Processors, Distributors and
Consumers Food Council
- Ontario Racing Commission
- Ontario Stock Yards Board (June 30, 1976)
- *Ontario Student Housing Corporation (December 31, 1975)
- The Ontario Telephone Development Corporation
(December 31, 1975)
- *The Ontario Universities Capital Aid Corporation
- Pension Commission of Ontario
- Province of Ontario Council for the Arts
- Public Service Superannuation Fund
- The Public Trustee of The Province of Ontario
- The Sheridan Park Corporation
- The St. Lawrence Parks Commission
- Superannuation Adjustment Fund (established in 1975-76)

(b) Audited by Provincial Auditor pursuant to appointment by shareholders or membership bodies.

- Canadian Conference on Historical Resources
- *Ontario Mortgage Corporation
- Ontario Canteen Fund
- Ontario Industrial Training Institute
- The Owen Sound Transportation Company, Limited
(December 31, 1975)
- Soldiers' Aid Commission
- Star Transfer Limited (December 31, 1975)

(c) Audited by Provincial Auditor pursuant to the provisions of The Audit Act.

- Legislative Assembly Retirement Allowances Account
- Motor Vehicle Accident Claims Fund
- The Province of Ontario Savings Office

(d) Audited by Public Accountants subject to direction or review by the Provincial Auditor.

- *Ontario Land Corporation
- Toronto Area Transit Operating Authority
- Workmen's Compensation Board (December 31, 1975)

*Financial Statements reproduced in Volume 2 of the Public Accounts 1975-76.

Note 1: In all cases the audit covered the fiscal year or period of the Agency concerned. In most instances the fiscal year or period ended on March 31, 1976. Where the Agency's fiscal period ended on a date other than March 31, 1976, such date has been indicated in parenthesis.

Note 2: The Agricultural Research Institute of Ontario was listed under section (a) of Exhibit 9 in our 1974-75 Report but does not appear in the foregoing Exhibit as the audit is now being performed in conjunction with the Revenue and/or Expenditure Audits of the Ministry of Agriculture and Food.

Note 3: Audit of the Ontario Agricultural Museum was previously performed in conjunction with the Revenue and/or Expenditure Audits of the Ministry of Agriculture and Food.

**STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED
IN PREVIOUS REPORT**

EXHIBIT 11

SECTION OF 1974-75 REPORT	AREA OF AUDIT	STATUS AS AT DATE OF PREPARATION OF 1975-76 AUDITOR'S REPORT	
		Not implemented at time of most recent audit—see further comment in section 86 of 1975-76 Report.	Status to be verified at time of next audit in this area.
86	Ministry of the Attorney General	Not implemented at time of most recent audit—see further comment in section 87 of 1975-76 Report.	Status to be verified at time of next audit in this area.
87	—Revenue	Not implemented at time of most recent audit—see further comment in section 87 of 1975-76 Report.	Status to be verified at time of next audit in this area.
88	—Revenue		
89	Ministry of Colleges and Universities		
	—Transfer Payments	Reviewed by the Standing Committee on Public Accounts in spring of 1976 and is subject to possible comment in the Committee's report to the Legislature.	
90	—Transfer Payments	Reviewed by the Standing Committee on Public Accounts in spring of 1976 and is subject to possible comment in the Committee's report to the Legislature.	
92	—Administrative Expenditure	Substantially implemented.	
93	Ministry of Community and Social Services		
	—Transfer Payments	Status to be verified at time of next audit in this area.	
94	—Revenue	Status to be verified at time of next audit in this area.	
95	Ministry of Consumer and Commercial Relations		
	—Expenditure	Substantially implemented.	
96	—Expenditure	Implemented.	
98	Ministry of Government Services		
99	—Bank Reconciliations	Implemented.	
102	—Revenue	Status to be verified at time of next audit in this area.	
103	—Administrative Expenditure	Implemented.	
	—Administrative Expenditure	Implemented.	

AREA OF AUDIT

STATUS AS AT DATE OF PREPARATION OF 1975-76 AUDITOR'S REPORT

Ministry of Health

- 104 —Transfer Payments
 105 —Transfer Payments
 107 —Goderich Psychiatric Hospital—Revenue and Trust Funds
 108 —Goderich Psychiatric Hospital—Revenue and Trust Funds
 109 —Transfer Payments

Status to be verified at time of next audit in this area.
 Status to be verified at time of next audit in this area.
 Implemented.
 Implemented.
 Status to be verified at time of next audit in this area.

Ministry of Industry and Tourism

- 111 —Revenue

Not implemented at time of most recent audit—see further comment in section 117 of 1975-76 Report.

Ministry of Labour

- 112 —Revenue

Implemented.

Ministry of Natural Resources

- 113 —Administrative Expenditure
 114 —Acquisition/Construction of Physical Assets
 115 —Administrative Expenditure

Status to be verified at time of next audit in this area.
 Implemented.
 Adjustment effected—see comment in section 20 of 1975-76 Report.

Ministry of the Solicitor General

- 117 —Revenue

Reviewed by the Standing Committee on Public Accounts in the spring of 1976, and is subject to possible comment in the Committee's report to the Legislature.

Ministry of Transportation and Communications

- 118 —Acquisition/Construction of Physical Assets
 119 —Revenue
 120 —Revenue, Registrar of Motor Vehicles
 121 —Acquisition/Construction of Physical Assets
 123 —Revenue
 124 —Acquisition/Construction of Physical Assets
 125 —Revenue

Not implemented at time of most recent audit—see further comment in section 122 of 1975-76 Report.
 Status to be verified at time of next audit in this area.
 Status to be verified at time of next audit in this area.
 Not implemented at time of most recent audit—see further comment in section 122 of 1975-76 Report.
 Implemented.
 Situation unchanged as Ministry disinclined to accept our recommendation—see Ministry comments in section 124 of 1974-75 Report.
 Status to be verified at time of next audit in this area.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED
IN PREVIOUS REPORT—CONTINUED

SECTION OF 1974-75 REPORT	AREA OF AUDIT	STATUS AS AT DATE OF PREPARATION OF 1975-76 AUDITOR'S REPORT
	Ministry of Treasury, Economics and Intergovernmental Affairs	
126	—Finance Management Branch	Status to be verified at time of next audit in this area.
128	—Finance Management Branch	Status to be verified at time of next audit in this area.
	Ministry of Education	
135	—Transfer Payments	Implemented.
	Crown Agencies	
142	Alcoholism and Drug Addiction Research Foundation	Substantially implemented.
143	Legislative Assembly Retirement Allowances Account	Implemented—see section 138 of 1975-76 Report.
144	Motor Vehicle Accident Claims Fund	Substantial agreement on all points. Implementation in process.
146	Office of the Assembly	Matter was considered but it was decided to continue the present practice.
147	Ontario Housing Corporation	Not fully implemented at time of most recent audit—for further comment see section 144 of 1975-76 Report.
148	Ontario Mortgage Corporation	Implemented.
150	Ontario Place Corporation	Implemented.
151	Province of Ontario Council for the Arts	Matter was considered but it was decided to continue the present practice and not to implement the recommendation of the Standing Committee on Public Accounts.
154	Workmen's Compensation Board	The Board's response to our observations was quoted in section 154 of the 1974-75 Report and indicated that, in the opinion of the Board, the matters in question had been handled in a reasonable and proper manner. The Standing Committee on Public Accounts reviewed the situation in the spring of 1976. It is subject to possible comment in the Committee's report to the Legislature.

EXHIBIT 12

RECOMMENDATIONS OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS IN ITS
INTERIM REPORT TO THE LEGISLATIVE ASSEMBLY DATED JULY 10, 1975

1. Arising out of the statement of the Auditor to the Public Accounts Committee April 8th, 1975, the Committee recommends again that costs of Boards and Commissions be regulated and controlled and that budgets be struck and that specific regulations in regard to these Boards and Commissions be laid down by Management Board of Cabinet.
2. In view of the fact that no interest has been charged and no repayments made on the loans to commercial fishermen from the Ministry of Natural Resources the Committee again recommends to the Ministry of Natural Resources that they review this situation with a view to removing these loans from their books.
3. The Committee again recommends that the Student Awards Program have some penalties incorporated in it for those who try to defraud the system.
4. The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.
5. The Committee further recommends that at the next Session during which the Public Accounts Committee will be active that the Committee receive a report from the Auditor in regard to the Ontario Educational Communications Authority.
6. Item 116—Weaknesses in Accounting Procedures and Controls, Ministry of Industry and Tourism.

The Committee found that there was some laxity in the regulations in regard to the purchasing within the Ministry. Correspondence from the Deputy Minister has indicated that these procedures have been tightened up. The Committee recommends that the Auditor monitor closely this situation to ensure that purchasing is in line with Management Board orders.

7. Item 117—Advertising Expense, Ministry of Labour.

The Committee has been informed that we now have an agency of record, Foster Advertising, which in fact does the buying of media time for the government as a whole. This has led to savings for the provincial government.

An agency of record is "the advertising agency appointed to act as senior purchasing authority for all media space and time purchased on behalf of the Ontario Government."

The Committee recommends that advertising expenditures of government

Ministries and agencies be confined to providing information as to government programs or where they can be applied for.

8. Item 121—Claim Payments, Ontario Health Insurance Plan, Ministry of Health.

The Committee received a full account from the Ministry of Health as to their attempts to provide a series of checks on doctors participating in OHIP and their patients. The Public Accounts Committee recommends that a Committee be set up under OHIP with medical representatives to advise and investigate any possible defrauding of OHIP by patients or doctors.

The Committee is of the opinion that this matter should be under the direct control of the Ministry of Health.

9. Item 107—Operating Grants to Community Mental Health Facilities, Ministry of Health.

The Committee recommends that all financial transactions be carried out in accordance with Management Board regulations in that written confirmation be provided before any authorization for expenditure of funds is given.

10. Item 109—Queen Street Mental Health Centre, Ministry of Health.

The Committee recommends that the Auditor continue to monitor the situation at the Queen Street Mental Health Centre to ensure that regulations are being followed.

11. In the matter of the Gasoline Tax and Motor Vehicle Fuel Tax the Ministry of Revenue advises that the Gasoline Tax arrears as of March 31st, 1974, were \$109,362.00 with doubtful accounts of \$46,061 and the Motor Vehicle Fuel Tax was \$504,002 after allowance of doubtful accounts of \$117,564.

The Committee recommends that the Ministry of Revenue monitor their accounts to ensure that no one operator be allowed to accumulate arrears over the sum of \$5000 or over a ninety day period without action being taken to collect the arrears.

12. Item 87—Examination of Lottery Records, Ministry of Consumer and Commercial Relations.

The Committee found that 20 per cent of the total receipts collected were going to expenditures of running the lottery. The Committee feels that this figure is much too high and should be in the neighbourhood of 15% and in no case should be over 20%.

As well, the Committee recommends that any lottery over \$10,000 in total prize money should be subjected to certified returns under the Public Accountancy Act.

The Committee further recommends that the staff of the Lottery Branch be in-

structed to provide more extensive examination both to the actual operation of the lottery and the returns that are filed.

13. Item 98—A Review of Catering Agreements, Ministry of Government Services.

The Committee is not satisfied with the handling of the tendering for the Legislative Dining Room under the Ministry of Government Services.

The Committee recommends that in the future when new specifications are prepared and new tenders called that all those who had tendered be informed of any changes in the specifications or tendering requirements.

14. Item 118—The Employment Standards Act, Ministry of Labour.

The Committee recommends that the Ministry of Labour increase the number of audits of the employers books where a Self-Audit Pay Direct has been authorized and unclaimed wages have not been turned in with the required audit completion report.

15. Item 152—Northern Ontario Development Corporation.

Re: Minaki Lodge

The Committee has found that a consultant's fee has been paid on a continuing basis for consultation services that have not been provided. It appears to be government practice that in sensitive negotiations with personnel the government proceeds by paying a consultant's fee to the affected person.

The Committee recommends strongly that this practice be discontinued in all ministries.

The Committee further recommends that the government issue a statement on the future of Minaki Lodge.

16. Item 158—Pension Commission of Ontario.

The Committee recommends that the Auditor continue to monitor the situation and that the Pension Commission ensure that the annual returns that are required by law be submitted for the pension plans involved.

17. Item 163—Soldiers' Aid Commission and Ontario Canteen Fund.

The Committee recommends that the Ontario Canteen Fund affairs be wound up. The Committee further recommends that in view of the costs of dispensing assistance that the Soldiers' Aid Commission be phased out and administration of the program be assumed by the Ministry of Community and Social Services.

18. Item 154—Ontario Housing Corporation.

The Committee recommends that the Auditor report to the Committee in the next Session as to the progress of Ontario Housing Corporation in implementing the Auditor's recommendations. These recommendations include:

1. increased effort to insure that the income of tenants in rental housing properties is verified on an annual basis.
 2. immediate action to correct observed deficiencies in the handling of N.S.F. cheques.
 3. incorporation of monthly follow-up and balancing procedures in the new accounting system being developed for the rent supplement program.
 4. improved internal control over receipts through prompt deposit of cheques received.
19. Item 128—GO Transit Operations, Ministry of Transportation and Communications.

GO Dial a Bus—The Committee recommends that where it is obvious that the public transportation being provided is overly costly that the experimental or demonstration projects be dispensed with.

The Committee recommends that these systems be reviewed periodically on a cost benefit analysis so that the advisability of continuing the service might be demonstrated.

20. Item 159—Province of Ontario Council for the Arts.

The Committee recommends that the Ontario Council for the Arts be made more aware of their responsibility in the use of public monies and that expense accounts particularly be very carefully monitored. The practice of entertaining people who are approaching the Council for grants at the Council's expense should be discontinued.

21. Item 137—Federal-Provincial Agreements.

The Committee also recommends that the provincial government continue to negotiate with the federal government with a view to having the federal government assist in the payment of administration costs on a percentage basis.

Further the Committee recommends that the provincial government continue to advance the principle of advance payments with the federal government so as to relieve the province from borrowing money in advance to pay for the joint federal-provincial programs.

22. Items 77 and 78—Management Board Orders and Special Warrants.

Management Board Orders are orders for additional monies for the expansion of existing programs.

Special Warrants are requests for monies for entirely new programs generally in regard to matters of emergencies, disasters or other matters unforeseen.

The Committee reiterates the recommendation of the Public Accounts Committee of November 15, 1973, "that the Treasurer introduce legislation

which would require Management Board orders and Special Warrants be placed before the Legislature for ratification''.

The Committee feels this is in line with the responsibility and accountability of the government to the Legislature.

23. Item 144—Wording of Audit Provision in Agency Legislation.

The Provincial Auditor brought to the attention of the Legislature and this Committee the inconsistency of the audit provision in agency legislation.

The Committee recommends that all agency legislation provide for a uniform audit provision that would require the Provincial Auditor to perform or direct the annual audit of Crown Corporations and Agencies.

24. The Audit Act.

The Committee was advised that certain sections of The Audit Act are redundant now that the Province is on a post-audit basis. Therefore, the Committee recommends that consideration be given to drafting a new Audit Act. This Act should include provisions with respect to:

1. the protection of the Provincial Auditor and his staff appearing before a Committee of the Assembly;
2. relationship of the Auditor to the Standing Committee on Public Accounts.

The Committee requests that the new Audit Act be referred to the Standing Committee on Public Accounts by the Legislature for clause by clause review.

NOTE: Item references are to sections of the 1973-74 Report of the Provincial Auditor to the Legislative Assembly.

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Province of Ontario

Report of the
PROVINCIAL AUDITOR
to the
LEGISLATIVE ASSEMBLY

For the Year Ended

March 31, 1977

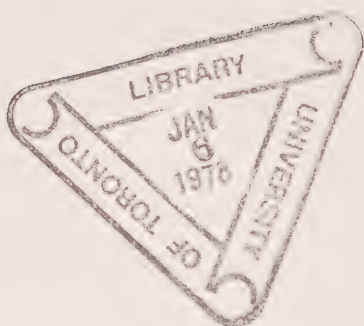


Province of Ontario

**Report of the
PROVINCIAL AUDITOR
to the
LEGISLATIVE ASSEMBLY**

For the Year Ended

March 31, 1977



TORONTO
PRINTED AND PUBLISHED BY THE QUEEN'S PRINTER
1977

THE HONOURABLE

PAULINE M. MCGIBBON, O.C., B.A., LL.D., D.U., D.HUM.L., B.A.A. (Theatre)
HON. F.R.C.P.S.(C)

Lieutenant Governor of the Province of Ontario

Madam:

I have the honour to present my report for the year ended March 31, 1977,
in accordance with the requirements of The Audit Act.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'F. N. Scott', written in a cursive style.

F. N. SCOTT, C.A.,
Provincial Auditor.

Toronto, September 30, 1977.

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OFFICE OF PROVINCIAL AUDITOR

1. Audit Responsibilities. The audit responsibilities of the Provincial Auditor are twofold, and involve the examination of:

- (i) The accounts of the Province in accordance with his appointment as auditor under The Audit Act.
- (ii) The accounts of Boards, Commissions and other Crown Agencies in accordance with his appointment as auditor under various related statutes or other appropriate authorities.

The examination of the accounts of the Province for the year ended March 31, 1977 was made in conformity with section 19 of The Audit Act which reads as follows:

"19.—(1) The Auditor shall, on behalf of the Assembly, examine in such manner as he considers necessary all accounts of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund whether held in trust or otherwise in order to ascertain that adequate regulations and procedures are in operation,

(a) to secure an effective check on the assessment, collection and allocation of revenue; and

(b) to ensure that expenditures have been made in accordance with legislative authority. 1971, c. 54, s. 4.

(2) The Auditor shall satisfy himself as to the correctness of the accounts mentioned in subsection 1. R.S.O. 1970, c. 36, s. 19(2)."

All Ministries were subject to examination in accordance with section 19 throughout the 1976-77 fiscal year. A listing of the revenue and expenditure audits covered by this Report appears in Exhibit 9.

For the year ended March 31, 1977 the Provincial Auditor had audit responsibility for forty-six Boards, Commissions and other Crown Agencies pursuant to his appointment as auditor under the various related statutes. These Agencies are listed in Exhibit 10 to this Report. Three of these Agencies were inactive during 1976-77. Further comment in this regard is contained in section 108.

The Provincial Auditor had audit responsibility during the year for six other Agencies as a result of his appointment as auditor by shareholders or membership bodies. A listing of these Agencies also appears in Exhibit 10.

Exhibit 10 lists five other operations for which the Provincial Auditor's audit responsibility has not been specifically designated. The Provincial Auditor has undertaken to audit them on the same basis as Crown Agencies. In each case the audit is made in accordance with the Provincial Auditor's responsibilities under The Audit Act.

It should be noted that not all Crown Agencies are audited by the Provincial Auditor. In accordance with relevant legislation, public accountants have been designated as auditors for certain Agencies. These Agencies include the Art

Gallery of Ontario, Clarke Institute of Psychiatry, The Ontario Cancer Institute, Ontario Hydro, The Ontario Institute for Studies in Education, Ontario Mental Health Foundation, Ontario Municipal Employees Retirement Board, Ontario Research Foundation, The Royal Ontario Museum, St. Clair Parkway Commission and the Teachers' Superannuation Fund.

Public accountants have also been designated as auditors for the Ontario Land Corporation, the Workmen's Compensation Board and the Toronto Area Transit Operating Authority. However, in these cases, unlike those cited in the preceding paragraph, the governing legislation does involve the Provincial Auditor. With respect to the Ontario Land Corporation and the Workmen's Compensation Board, the legislation requires that the audit by the appointed auditors be conducted under the direction of the Provincial Auditor. With respect to the Toronto Area Transit Operating Authority, the legislation stipulates that the auditor's report and working papers be made available to the Provincial Auditor.

2. Reporting Responsibilities. Under section 20 of The Audit Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of his examinations. Section 20 reads as follows:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

- (a) as to his examination of accounts of receipts and payments of public moneys;
- (b) as to his examination of the statements of assets and liabilities, the Consolidated Revenue Fund, the net general revenue and expenditures and related statements in which he shall express an opinion as to whether the statements present fairly the financial position of the Province and the results of its operations and whether the statements were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period;
- (c) as to all special warrants issued and the amounts expended thereunder;
- (ca) as to all cheques for the issue of which he has refused to certify, citing the date and the amount of any expenditures incurred in consequence thereof;
- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended;
- (e) as to any important change in the extent or character of any examination made by him; and
- (f) as to such matters as he desires to bring to the attention of the Assembly. R.S.O. 1970, c. 36, s. 20(1); 1971, c. 54, s. 5(1).

(2) The report of the Auditor shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year. 1971, c. 54, s. 5(2)."

For reference and identification purposes the above legislative provisions can be related to the content of this Report, or otherwise commented upon, as follows:

- 20(1)(a) : Refer to "Comments on Revenue and Expenditure Transactions" (sections 49-106) and "Comments on Crown Agency Transactions" (sections 107-121).
- 20(1)(f)
- 20(1)(b) : Refer to "Expression of Opinion on the Financial Statements of the Province" (section 9); "Comments on Assets and Liabilities" (sections 14-31) and "Comments on Consolidated Revenue Fund" (sections 32-48).
- 20(1)(c) : Two Special Warrants were issued during the 1976-77 fiscal year (section 106).
- 20(1)(ca) : This provision is no longer applicable as, effective with the 1974-75 fiscal year, all expenditure review has been on a post-audit basis.
- 20(1)(d) : Refer to Exhibit 6.
- 20(1)(e) : No significant changes were made during the year in the extent or character of the Provincial Auditor's examination.

As previously indicated, in the case of certain Crown Agencies audited by public accountants, relevant legislation contains no reference to direction by the Provincial Auditor, and makes no provision for any access by the Provincial Auditor to the records of either the Agency or the appointed auditor. Consequently, the Provincial Auditor is not able to comment with respect to these Agencies. The absence of such comment in this Report is consistent with section 21 of The Audit Act which reads:

"Nothing in this Act shall be construed to require the Auditor to examine or report upon the accounts of any agency of the Crown if the Lieutenant Governor in Council, in pursuance of statutory authority in that behalf, has designated another auditor to examine and report upon the accounts of such agency. R.S.O. 1970, c. 36, s. 21."

3. New Audit Act. The legislation currently governing the Provincial Auditor was originally passed in 1950 and was most recently amended in 1971. A number of the legislative provisions pertain to the pre-audit basis of expenditure review which was completely phased-out during the 1973-74 fiscal year.

New legislation was introduced on April 6, 1977 to strengthen the role and responsibility of the Provincial Auditor, and to delete those sections of the current legislation which still pertain to the pre-audit function or are otherwise redundant. The proposed Act will:

1. Require the Provincial Auditor to report his observations on the economy and efficiency of expenditures, as well as on the procedures undertaken by the ministries to measure the effectiveness of their programs.
2. Broaden the powers and responsibilities of the Provincial Auditor by allowing for inspection audits of, or for requiring a full accounting from, recipients of transfer payments which now make up more than 70 per cent of provincial expenditures.
3. Expand the powers and responsibilities of the Provincial Auditor regarding the audits of agencies of the Crown and Crown-controlled corporations.
4. Improve the independence of the Provincial Auditor by having his staffing and financial requirements approved by the Board of Internal Economy and by having his Report tabled directly in the Legislature by the Speaker.

The Legislature was dissolved on April 29, 1977 at which time the new Act had received only first reading. However, the proposed legislation was re-introduced on July 5, 1977 during the first session of the new Parliament. This session was adjourned on July 12, 1977 but it is expected that the proposed legislation will proceed to second reading when the Legislature re-convenes in the fall.

4. Organization and Staffing. The Office of Provincial Auditor is divided into four branches, each of which is administered by a Director.

Public Accounts Audit Branch:	audits the Public Accounts of the Province and public debt transactions. Responsible for the preparation of material for the Auditor's Report and liaison with the Standing Public Accounts Committee.
Revenue Audit Branch:	audits payments into the Consolidated Revenue Fund—e.g. from various tax sources, Federal subsidy programs, etc.
Expenditure Audit Branch:	audits payments out of the Consolidated Revenue Fund—e.g. administrative expenditure, grants and subsidies, etc.
Crown Agency Audit Branch:	audits Boards, Commissions and other Crown Agencies. Where specified by legislation, directs or reviews audits of Agencies performed by public accountants.

An Organization Chart of the Office is presented in Exhibit 8 to this Report.

At the date of this Report, the staff of the Office numbered seventy-eight, thirty-three of whom are professionally qualified accountants. Twenty-five employees are enrolled in various stages of courses leading to professional qualification through one of the following: The Certified General Accountants Association of Ontario, The Institute of Chartered Accountants of Ontario, or The Society of Management Accountants of Ontario.

5. Meeting of Legislative Auditors. Commencing in 1973 the Provincial Auditors and the Auditor General of Canada have met annually to discuss matters of mutual interest and concern, and to review the role and direction of their respective Offices. These meetings provide an excellent forum for the exchange of ideas and information, and for the development of new and better ways of discharging audit responsibilities. The fifth annual meeting was held in Halifax on September 13-14, 1977, and was attended by two members of this Office.

6. Examination of the Accounts of the Office of Provincial Auditor. Section 25 of The Audit Act reads as follows:

“An officer, appointed by the Lieutenant Governor in Council, shall examine the accounts relating to the disbursements of public moneys on behalf of the Auditor and his staff and such officer shall report thereon to the Lieutenant Governor in Council.”

As indicated in our 1975-76 Report (section 5), a public accounting firm was appointed by Order in Council dated December 17, 1975 to audit the accounts and financial transactions of the Office of Provincial Auditor for the three year period ended March 31, 1975. This audit was completed and a report made to the Lieutenant Governor in Council on February 20, 1976.

The appointment of an auditor to audit the accounts and financial transactions of the Office of Provincial Auditor for periods subsequent to March 31, 1975 has not as yet been made.

7. Timetable for Preparation and Submission of the Provincial Auditor's Annual Report to the Legislature. Section 20(2) of The Audit Act requires that the Auditor's Report be laid before the Assembly not later than the tenth day of the first session held in the following calendar year. As explained in our 1975-76 Report (section 6), we are now striving to table our Report on or before December 31st next following the close of the fiscal year, provided that the Legislature is then in session.

To achieve this objective, and to allow the required time for the preparation and printing process, our Report covers audits completed by September 30th. Our 1976-77 Report, therefore, covers audit activity through the twelve month period October, 1976 through September, 1977.

PUBLIC ACCOUNTS

8. Preparation of the Public Accounts. The Public Accounts are prepared under the direction of the Treasurer of Ontario as stipulated in section 13 of The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. This section reads as follows:

"The Public Accounts for the 1971-72 fiscal year and subsequent years shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

The audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, and on which the Provincial Auditor expresses an opinion. Volume 2 contains reproductions of audited financial statements of Crown Agencies which have an advance from the Province or in which the Province has an investment. The details of expenditure appearing in Volume 3 are not reviewed by this Office prior to publication but are subject to examination during our subsequent post-audit of the Ministry concerned.

9. Expression of Opinion on the Financial Statements of the Province. The expression of opinion referred to in the preceding section appears on Page 13 of Volume 1 of the 1976-77 Public Accounts and reads as follows:

"I have examined the Statement of Assets and Liabilities, and related schedules, of the Province of Ontario as at March 31, 1977 and the Statement of Consolidated Revenue Fund, and related schedules including the Statement of Revenue and the Statement of Budgetary Expenditure, for the year ended on that date. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

"In my opinion, these financial statements present fairly the financial position of the Province as at March 31, 1977 and the results of its operations and the changes in its financial position for the year then ended. The financial statements were prepared in accordance with generally accepted accounting principles which, except for the changes in accounting treatment outlined on page 7 of Volume 1 of the Public Accounts, were applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are described under the heading of 'Summary of Significant Accounting Policies' on Pages 6-7 of Volume 1 of the Public Accounts."

10. Summary of Significant Accounting Policies. As noted in the prior section this summary is contained in the Public Accounts and is reproduced in this Report for ease of reference:

"The Accounting Entity

In the operation of its financial affairs the Province of Ontario employs the

concept of a Consolidated Revenue Fund, unique to the parliamentary system of government. The financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows. With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

"The Accounting Basis

The Province of Ontario uses the cash basis of accounting for its financial transactions, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. The cash basis of accounting, modified as described, is used to disclose to the public the stewardship of the Government in regard to monies entrusted by appropriation, and raised through taxes and borrowing. Revenues and expenditures being unrelated in nature are matched only by timing of cash flow.

"Classification of Transactions

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund.

'Budgetary Transactions' are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants and the acquisition or creation of fixed assets. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt of the Province.

'Non-Budgetary Transactions' are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. 'Disbursements' is the term used to describe the lending and investment transactions of the government. 'Receipts' consist of the repayment of loans or recovery of investments. 'Credits' is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed 'Charges'.

'Debt Transactions' are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

"Assets and Liabilities"

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets are not considered to differ from any other service to the public, they are expensed as budgetary items in the year of acquisition. Neither do they represent financial claims on others and are therefore not reported as balance sheet assets.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards, and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. Year-to-year changes in net debt are the amount by which revenues exceed or are less than budgetary expenditures."

Reference is made under the foregoing caption of 'Non-Budgetary Transactions' to the government lending and investment activity in various Crown Corporations and Agencies. By way of amplification, it should be noted that the interest of the Province in these Crown Corporations and Agencies is shown in the Statement of Assets and Liabilities contained in Volume 1 of the Public Accounts only to the extent of the outstanding amounts actually invested or advanced to them. Thus, the accumulated earnings (or deficits) of these organizations are not reflected therein. The financial statements of relevant Crown Corporations and Agencies are reproduced in Volume 2 of the Public Accounts.

11. Presentation of Acquisition/Construction of Physical Assets in the Public Accounts. Expenditure with respect to the acquisition/construction of physical assets totalled \$303,497,490 for the year ended March 31, 1977, and is summarized by Ministry on page 64 of Volume 1 of the 1976-77 Public Accounts.

As indicated in the guide to the 1976-77 Public Accounts, Volume 1, page 8, the acquisition/construction of physical assets standard accounts classification includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. This standard accounts classification does not, however, include the cost of work performed by the Province's own labour force with respect to new capital formation, nor does it include the costs of materials and services provided by the Province for use by contractors on

capital projects. Such costs are termed "own account" expenditure and are charged to other standard accounts classifications—salaries and wages, services, etc.

"Own account" expenditure is substantial and, according to records maintained in this regard, totalled in excess of \$66 million for the 1976-77 fiscal year.

12. The Standing Public Accounts Committee. Reference was made in our 1975-76 Report (Section 11) to the formation of the Standing Public Accounts Committee for the Third Session of the Thirtieth Parliament and to the Committee's activities prior to the adjournment of the Assembly for the summer recess.

Upon the return of the Legislature in the fall of 1976 the Committee resumed its activities. Sixteen meetings were held during the period November 1976 through March 1977. Eight of these meetings were held after the Legislature was prorogued on December 16, 1976 as the Committee requested and received the permission of the Assembly to meet in respect of specified matters while the Legislature was not in session.

This Committee made a total of six reports to the Assembly. The first three of these reports were repeated in the fourth report. Recommendations contained in the fourth report made on December 14, 1976, and in the fifth and sixth reports made on March 29, 1977, are included in Exhibit 12.

A new Standing Public Accounts Committee was constituted for the Fourth Session of the Thirtieth Parliament which commenced on March 29, 1977. This Committee held three meetings during the month of April. The Committee's activities terminated when the Legislature was dissolved on April 29, 1977.

A new Standing Public Accounts Committee was constituted for the First Session of the Thirty-First Parliament which commenced on June 27, 1977. This committee consists of twelve members and, as is the custom, is chaired by a member of the Official Opposition, with party membership proportional to the respective party membership in the Legislature. One meeting of the Committee was held prior to adjournment of the Assembly on July 12, 1977 for the summer recess.

13. Re Recommendations of the Standing Public Accounts Committee. In our 1975-76 Report (section 12) we commented on the recommendations contained in the July 10, 1975 Interim Report of the Standing Public Accounts Committee. We indicated that further action was required with respect to certain of the recommendations. An update on this further action, and of the status of later recommendations contained in the Committee's Reports of December 14, 1976 and March 29, 1977, is reflected in Exhibit 12.

COMMENTS ON ASSETS AND LIABILITIES

14. Introductory Comments. As explained in the "Summary of Significant Accounting Policies" outlined in section 10 of this Report, the financial statements of the Province reflect a modified cash basis of accounting. In addition, Provincial expenditure on fixed assets is treated as non-recoverable expenditure of each fiscal year. As a result, the Statement of Assets and Liabilities does not include assets such as buildings, land or accounts receivable nor liabilities such as accounts payable. However, memorandum records of certain of these assets and liabilities are maintained for internal control purposes. The memorandum accounts for Accounts Receivable and Accounts Payable at March 31, 1977 are shown in Volume 1 of the 1976-77 Public Accounts, pages 60-61.

15. Statement of Assets and Liabilities. The Statement of Assets and Liabilities as at March 31, 1977, as shown in Volume 1 of the 1976-77 Public Accounts, is included as Exhibit 2 to this Report. The body of the Statement is reproduced for reference purposes.

Assets	March 31, 1977 \$	March 31, 1976 \$
Cash, temporary investments and marketable securities	803,935,692	1,031,041,384
Advances to Ontario Hydro	2,556,735,540	2,307,056,636
Advances and investments—other corporations, boards and commissions	4,333,222,881	4,102,188,993
Investments in water treatment and waste control facilities (at cost less recoveries)	780,556,952	666,210,360
Loans to municipalities	299,568,343	271,790,254
Other loans and investments	256,511,016	237,432,069
Total recorded assets	9,030,530,424	8,615,719,696
Net debt	6,156,761,970	4,928,044,232
	<u>15,187,292,394</u>	<u>13,543,763,928</u>
Liabilities		
Deposits with The Province of Ontario Savings Office	339,218,665	286,726,596
Pension funds	1,140,114,062	951,227,021
Deposit, trust and reserve accounts	228,325,489	187,403,404
Advances payable	75,304,774	60,573,087
Treasury bills	130,000,000	325,000,000
Debentures and notes	13,274,329,404	11,732,833,820
	<u>15,187,292,394</u>	<u>13,543,763,928</u>
Contingent liabilities: bonds, debentures and loans guaranteed by the Province	5,734,631,542	5,027,075,146

16. Cash, Temporary Investments and Marketable Securities. The balances included under this heading, with comparable balances for the preceding year, were as follows:

	March 31, 1977	March 31, 1976
	\$	\$
Temporary Investments	1,191,274,104	1,186,165,456
Marketable Securities	105,114,373	308,334,964
Cash in Banks	(492,452,785)	(463,459,036)
	<u>803,935,692</u>	<u>1,031,041,384</u>

TEMPORARY INVESTMENTS, totalling \$1,191,274,104 at March 31, 1977, are shown at cost and consisted of Time Deposits with Canadian chartered banks of \$1,040,683,000, loans to investment dealers on a call or day loan basis, secured by collateral, of \$33,000,000 and investments in short term notes of \$117,591,104.

The Time Deposits are recorded at cost in Canadian funds at the dates of deposit and all Time Deposits as at March 31, 1977 are redeemable in Canadian currency.

MARKETABLE SECURITIES, totalling \$105,114,373 at March 31, 1977, are shown at cost and consisted of Ontario Hydro debentures of \$69,070,546 and Province of Ontario debentures of \$36,043,827. In aggregate the marketable securities had a market value of approximately \$102 million at March 31, 1977.

CASH IN BANKS as recorded by the books of the Province reflected an overdraft position. This situation resulted mainly from cheques issued during April 1977 which were dated March 31, 1977 and were charged to 1976-77 appropriations. Such practice is the modification of the cash basis of accounting explained in the "Summary of Significant Accounting Policies" (section 10), and is in accordance with the authority provided under The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972.

The amounts actually on deposit with the banks totalled more than \$15 million at March 31, 1977. Deductions for outstanding cheques and allowances for adjustments contributed to a net overdraft of \$492,452,785 on the books of the Province.

17. Advances to Ontario Hydro. These advances, with comparable balances for the preceding year, and the financial activity during the 1976-77 fiscal year, were as follows:

	March 31, 1976	Advances made	Repayments Received	March 31, 1977
	\$	\$	\$	\$
Secured by bonds	2,239,952,000	300,000,000	30,460,000	2,509,492,000
Unsecured	67,104,636		19,861,096	47,243,540
	<u>2,307,056,636</u>	<u>300,000,000</u>	<u>50,321,096</u>	<u>2,556,735,540</u>

The financial statements of Ontario Hydro are shown in Volume 2 of the 1976-77 Public Accounts.

Advances secured by bonds are made to Ontario Hydro from the proceeds of debentures issued by the Province of Ontario for that purpose under the authority of The Power Corporation Act. These advances are repayable in United States dollars and are recorded in Canadian funds at par, as is the related liability (see section 30). As security for the advances, the Province holds Ontario Hydro

United States dollar bonds for the principal amount with the same interest rate and terms as the corresponding Province of Ontario debentures.

The advances of \$300 million made to Ontario Hydro during the 1976-77 fiscal year represented the gross proceeds from an Ontario debenture issue in the United States on behalf of Ontario Hydro. This issue is identified as series FG and particulars are shown in the Details of Debentures and Notes Outstanding statement on page 41 of the 1976-77 Public Accounts.

Unsecured advances to Ontario Hydro represent the Province's share of the capital cost of the first two units of a nuclear powered generating station at Pickering.

18. Advances and Investments—Other Corporations, Boards and Commissions.

The balances included under this heading, with comparable balances for the preceding year, and the financial activity during the 1976-77 fiscal year were as follows:

	March 31, 1976	Advances/ Investments Made	Repayments Received	March 31, 1977
	\$	\$	\$	\$
The Ontario Education Capital Aid Corporation	1,233,447,329	77,324,000	56,548,779	1,254,222,550
The Ontario Universities Capital Aid Corporation	1,215,989,899	32,974,094	24,336,679	1,224,627,314
Ontario Mortgage Corporation	541,315,400	180,400,000	27,676,100	694,039,300
Ontario Land Corporation	337,750,000			337,750,000
Ontario Housing Corporation ..	304,705,922	36,149,002	10,196,589	330,658,335
Ontario Student Housing Corporation	8,547,327			8,547,327
Ontario Energy Corporation	100,000,000			100,000,000
Ontario Development Corporation	94,789,736	10,434,329	16,688,087	88,535,978
Northern Ontario Development Corporation	36,092,803	8,520,587	3,254,016	41,359,374
Eastern Ontario Development Corporation	17,054,050	11,492,086	887,746	27,658,390
Ontario Northland Trans- portation Commission	76,207,935		3,500,000	72,707,935
The Ontario Junior Farmer Establishment Loan Corporation	71,257,926		3,263,452	67,994,474
The Ontario Municipal Improvement Corporation	33,191,151	15,483,649	3,712,813	44,961,987
Liquor Control Board of Ontario	25,074,515			25,074,515
The Ontario Transportation Development Corporation		6,250,000		6,250,000
Urban Transportation Develop- ment Corporation, Ltd.	6,000,000			6,000,000
Algonquin Forestry Authority ..	400,000	75,000	375,000	100,000
The Crop Insurance Commission of Ontario	365,000	2,000,000	565,000	1,800,000
North Pickering Development Corporation		935,402		935,402
	<u>4,102,188,993</u>	<u>382,038,149</u>	<u>151,004,261</u>	<u>4,333,222,881</u>

Financial statements of these Crown Corporations, Boards and Commissions are shown in Volume 2 of the 1976-77 Public Accounts.

Explanatory comment relative to the nature of these Corporations, Boards and Commissions, and to the terms of the relative advances and investments made by the Province, is contained on pages 30-31 of Volume 1 of the 1976-77 Public Accounts. Additional explanatory comment with regard to certain of these Corporations, Boards and Commissions is presented as follows:

THE ONTARIO EDUCATION CAPITAL AID CORPORATION. The situation with respect to the repayment of advances made by the Province to this Corporation is somewhat analogous to that outlined below for The Ontario Universities Capital Aid Corporation. To a large extent, the advances by the Province to The Ontario Education Capital Aid Corporation are repayable out of future years' Provincial expenditure appropriations.

In the calculation of General Legislative Grants, a component of the annual appropriation for the School Business and Finance program activity, Ministry of Education, (Vote 2902-11, page 465 of Volume 1 of the 1976-77 Public Accounts), consideration is given to the repayments of debenture principal, with interest, which municipalities are required to make to The Ontario Education Capital Aid Corporation.

THE ONTARIO UNIVERSITIES CAPITAL AID CORPORATION. Advances by the Province to this Corporation as at March 31, 1977 are repayable out of future years' Provincial expenditure appropriations.

The Corporation employs funds advanced by the Province to purchase bonds and debentures issued by colleges, universities and related institutions for capital construction purposes. The issuing institution redeems its debentures, with interest, over their term utilizing moneys appropriated by the Legislature for such purpose. The Corporation, in turn, utilizes redemption proceeds to repay, with interest, its advances from the Province.

By way of illustration, in 1976-77 institutions effectively made principal and interest payments to the Corporation totalling \$111,092,500, of which \$108,759,164 was provided out of the expenditure appropriations of the Ministry of Colleges and Universities as reflected on page 419 (Vote 2602-2) and page 421 (Vote 2603-2) of Volume 1 of the 1976-77 Public Accounts. The balance of \$2,333,386 was provided by municipalities in connection with debentures issued for library construction.

Of the \$111,092,500, principal repayment amounted to \$24,336,679 and was included in the Statement of Receipts on page 16 of the 1976-77 Public Accounts, Volume 1. The balance, \$86,755,821, represented interest and was reflected as such in the Revenue statement of the Ministry of Treasury, Economics and Intergovernmental Affairs, page 186 of the 1976-77 Public Accounts, Volume 1.

ONTARIO DEVELOPMENT CORPORATION. Advances recorded at March 31, 1977, included advances with respect to forgivable performance loans made by

the Corporation in the outstanding amount of \$18,423,974. The major portion of advances by the Province to the Corporation with respect to forgivable performance loans is repayable out of future years' Provincial expenditure appropriations.

Performance loans are loans made by the Corporation to persons establishing or substantially expanding an industrial undertaking in an area of equalization of industrial opportunity. These loans are non-interest bearing and are subject to principal forgiveness. Forgiveness is contingent upon the borrower operating his business in a manner satisfactory to the Corporation. Generally speaking, loan forgiveness is at the rate of ten per cent at the end of each of the first five years of operation with the balance, or fifty per cent, forgiven at the end of the sixth year of operation. When borrowers' loan principal is forgiven, moneys appropriated by the Legislature for the purpose of loan forgiveness are utilized by the Corporation to repay its corresponding advance indebtedness with the Province.

To illustrate, in 1976-77 the Corporation forgave loan principal in the amount of \$7,984,252. The Corporation's advances from the Province with respect to performance loans were reduced, or repaid, by a corresponding amount utilizing funds provided out of the expenditure appropriations of the Ministry of Industry and Tourism. Both the expenditure and repayment activity were reflected in Volume 1 of the 1976-77 Public Accounts. The former was included in Vote 2109-1 (page 351), while the latter was included in the receipts from Ontario Development Corporation reflected in the Statement of Receipts (page 16).

NORTHERN ONTARIO DEVELOPMENT CORPORATION. Advances recorded at March 31, 1977 included advances with respect to forgivable performance loans in the outstanding amount of \$3,044,729. To a large extent advances by the Province to the Corporation with respect to forgivable performance loans made to borrowers are repayable out of future years' Provincial expenditure appropriations.

For further information relative to performance loans see comments under **ONTARIO DEVELOPMENT CORPORATION.**

ONTARIO NORTHLAND TRANSPORTATION COMMISSION. Advances by the Province to the Commission included advances made since 1972, totalling \$42,500,000, which are of a demand loan nature and are interest bearing.

The balance, \$30,207,935, represented advances made to the Commission prior to 1925. This amount, which is non-interest bearing, could be termed an investment in, rather than an advance to, the Ontario Northland Transportation Commission.

A difference in the nature of the two amounts, \$42,500,000 and \$30,207,935, is recognized by the Commission in its financial statement presentation. The former is classified as a current liability in the balance sheet, while the latter is classified as a long-term liability.

LIQUOR CONTROL BOARD OF ONTARIO. Each year the Board pays over to the Province that portion of its annual profits which are not required for the Board's operating purposes. Such payments are recorded as revenue in the books of the Province (see page 162 of the 1976-77 Public Accounts, Volume 1).

For many years necessary accounting transactions were recorded in the books of the Province to ensure that the Province's investment in the Liquor Control Board equaled the accumulated amount of profits retained by the Board for operating purposes, and which the Board had invested in stock, supplies, etc. Commencing with the year ended March 31, 1972, however, the relationship between the Province's investment in the Board and the amount of profits retained by the Board has not been maintained. For, while the Province's recorded investment in the Board has remained unchanged at \$25,074,515, the retained profits of the Board have increased over the six year period and totalled \$39,863,134 at March 31, 1977.

19. Investments In Water Treatment and Waste Control Facilities. The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable with interest over a specified period of years.

During the 1976-77 fiscal year additional investments of \$145,975,953 were made and recoveries of \$31,629,361 were received, leaving a balance of \$780,556, 952 outstanding at March 31, 1977.

20. Loans to Municipalities. The balances included under this heading, with comparable figures for the preceding year, and the financial activity during the 1976-77 fiscal year, were as follows:

	March 31, 1976 \$	Loans Made \$	Repayments Received \$	March 31, 1977 \$
Sundry Municipalities re:				
Municipal Works Assistance ..	65,853,221		4,701,509	61,151,712
Tile Drainage Loans in Unorganized Territories		89,000		89,000
Tile Drainage	48,886,096	16,077,700	6,406,936	58,556,860
Federal-Provincial Winter Capital Projects Fund	51,131,675		1,792,176	49,339,499
Federal-Provincial Employment Loans	15,801,600		606,500	15,195,100
Ontario Housing Action Program	33,311,079	26,542,333		59,853,412
Federal-Provincial Special Development Loans	4,126,700		290,500	3,836,200
The Shore Line Property Assistance Act, 1973	1,200,921	788,723	31,925	1,957,719
The Municipality of Metropolitan Toronto	47,359,000		1,529,000	45,830,000
Township of Elliot Lake	2,203,400		216,100	1,987,300
Town of Kapuskasing	1,308,736		54,420	1,254,316
City of Windsor	150,000		50,000	100,000
Improvement District of Manitouwadge	116,000		36,000	80,000
The Moosonee Development Area Board	115,000		4,000	111,000
Township of Collingwood	116,826			116,826
Township of Amabel	110,000		601	109,399
	<u>271,790,254</u>	<u>43,497,756</u>	<u>15,719,667</u>	<u>299,568,343</u>

Explanatory comment with regard to the various Loans to Municipalities is contained on pages 31-32 of Volume 1 of the 1976-77 Public Accounts.

21. Other Loans and Investments. The balances included under this heading, with comparable balances for the preceding year, and financial activity during the 1976-77 fiscal year, were as follows:

	March 31, 1976 \$	Loans Made \$	Repayments Received \$	March 31, 1977 \$
Loans to public hospitals	224,572,750	35,142,600	15,984,793	243,730,557
The Sault Ste. Marie Bridge Act: International Bridge Authority of Michigan—bonds	7,615,072			7,615,072
St. Mary's River Bridge Company—shares	1,370			1,370
Municipal and school tax credit assistance	3,068,685	636,755	250,288	3,455,152
Sundry co-operative associations	1,502,509		240,496	1,262,013
Provincial student-aid loans	312,158		103,865	208,293
Sundry conservation authorities ..	259,525		70,966	188,559
Sandwich, Windsor and Amherstburg Railway Company — bonds				
Maturing June 30, 1976 and 1977	100,000		50,000	50,000
	<u>237,432,069</u>	<u>35,779,355</u>	<u>16,700,408</u>	<u>256,511,016</u>

Explanatory comment with regard to the various Other Loans and Investments is contained on pages 32-33 of Volume 1 of the 1976-77 Public Accounts. Additional explanatory comment relative to two of the loan categories is presented as follows:

LOANS TO PUBLIC HOSPITALS. Many loans by the Province to the public hospitals are substantially repayable out of future years' Provincial expenditure appropriations.

During the 1976-77 fiscal year, for example, public hospitals made principal and interest (excluding interest subsidy) payments to the Province in the amounts of \$15,984,793 and \$5,749,999 respectively. Of the total of \$21,734,792 so paid by the public hospitals, \$16,241,859 was provided in the form of grants from the Province. These grants were included in the expenditure appropriations of the Ministry of Health for the fiscal year ended March 31, 1977, Vote 3002-3.

MUNICIPAL AND SCHOOL TAX CREDIT ASSISTANCE. The Municipal and School Tax Credit Assistance Act provides for the deferment of one-half, to a maximum of \$150 per year, of the taxes imposed for municipal and school purposes in respect of real property assessed as residential or farm property. Requirements of the Act are met if a person is 65 years of age or more and owns and occupies real property as a personal residence. The Province of Ontario reimburses the municipality for the amount deferred (municipal and school tax credit). This amount is a lien in favour of the Treasurer of Ontario upon the real property in respect

of which such credit is allowed. The lien is normally repayable when there is a change in the ownership of the property.

As at March 31, 1977 the balance of this account was \$3,455,152. Disbursements and repayments during the fiscal year were \$636,755 and \$250,288 respectively.

22. Fixed Assets. As explained in the "Summary of Significant Accounting Policies" contained in section 10 of this Report, the costs of fixed assets are treated as expenditure in each fiscal year. These assets are carried in the accounting records of the Province at a nominal value of one dollar. Prior to 1974-75 the nominal value of the fixed assets was shown separately in the Statement of Assets and Liabilities. For more concise statement presentation this practice has been discontinued.

23. Inactive Assets; Reserve for Inactive Assets. Prior to 1974-75 inactive assets, and an offsetting reserve for inactive assets, were reflected in the Statement of Assets and Liabilities. In the interest of more concise statement presentation both amounts have since been omitted from the Statement of Assets and Liabilities.

The total of inactive assets at March 31, 1977 was \$4,350,546 and was unchanged from the previous year. The balance of inactive assets at March 31, 1977 was made up entirely of the Government of Canada accounts, consisting of a Debt Account of \$2,848,290 and a Common School Fund of \$1,502,256. The Debt Account is an amount on which the Government of Canada pays interest at 5 per cent per annum to compensate the Province of Ontario for moneys withheld from the Province in the period July 1, 1867 to January 1, 1873.

The Common School Fund represents Ontario's share in a permanent fund of \$2,677,771 held in trust by the Government of Canada for the Provinces of Ontario and Quebec. This fund, the total of which has not changed since March 31, 1942, is derived from the sale of Crown lands set aside for the benefit of common schools by statutes enacted before Confederation. The Government of Canada pays interest to the Province on the principal sum at the rate of 5 per cent per annum in proportion to their respective populations as determined by the most recent decennial census. The present allocation of interest is based on the census of 1971.

A reserve for the full amount of the Government of Canada accounts has been provided since the present agreement does not call for liquidation of the principal amounts.

24. Net Debt. The Net Debt of the Province is the difference between assets and liabilities as recorded in accordance with the "Summary of Significant Accounting Policies" described in section 10. Year-to-year changes in Net Debt are related directly to the amount by which revenue exceeds, or is less than, expenditure on budgetary transactions. Revenue was less than expenditure on budgetary transactions by \$1,228,717,738 for the 1976-77 fiscal year, with the result that Net Debt increased by that amount to \$6,156,761,970 at March 31, 1977.

25. Deposits With The Province of Ontario Savings Office. These deposits are carried in twenty-one branches of the Savings Office throughout the Province. The liability of the Savings Office to depositors, with comparable balances for the preceding year, consisted of:

	<i>March 31, 1977</i> \$	<i>March 31, 1976</i> \$
Current Balances	339,030,531	286,548,357
Unclaimed Balances	188,134	178,239
	<u>339,218,665</u>	<u>286,726,596</u>

It is current practice of the Savings Office to transfer a deposit balance from a current classification to an unclaimed classification when no communication has been received from the depositor, and no activity has taken place in the account, for a five year period.

The financial statements of The Province of Ontario Savings Office are shown on pages 57-58 in Volume 1 of the 1976-77 Public Accounts.

26. Pension Funds. The balances included under this heading, with comparable balances for the preceding year, and financial activity during the 1976-77 fiscal year, were as follows:

	<i>March 31, 1976</i> \$	<i>Credits</i> \$	<i>Charges</i> \$	<i>March 31, 1977</i> \$
Public Service Superannuation Fund	941,603,513	239,038,147	51,987,305	1,128,654,355
Legislative Assembly Retirement Allowances Account	9,623,508	2,394,628	558,429	11,459,707
	<u>951,227,021</u>	<u>241,432,775</u>	<u>52,545,734</u>	<u>1,140,114,062</u>

The balances in the Public Service Superannuation Fund and in the Legislative Assembly Retirement Allowances Account have been deposited with the Treasurer of Ontario. For further comment on the Public Service Superannuation Fund see section 80.

The Superannuation Adjustment Fund, which was established in 1975-76, is not reflected under the "Pension funds" heading in the Statement of Assets and Liabilities. Instead, it is included under the caption of "Deposit, trust and reserve accounts".

27. Deposit, Trust and Reserve Accounts. During the 1976-77 fiscal year \$104,901,561 was paid into these accounts while \$63,979,476 was paid out. A balance of \$228,325,489 was outstanding at March 31, 1977.

Deposit, Trust and Reserve Accounts are itemized in Volume 1 of the 1976-77 Public Accounts on pages 34-35. Comment with respect to several of the larger accounts is also contained in the Public Accounts. Numerous other accounts, however, are included in the Deposit and Trust Accounts category. Background on the following accounts is presented for informative purposes.

PROVINCIAL LOTTERY TRUST FUND—\$8,000,000

This Fund was established by Order in Council dated October 27, 1976 for the purpose of receiving the net proceeds accruing to Ontario in respect of "The Provincial" lottery.

Pursuant to section 7(b) of The Ontario Lottery Corporation Act, 1974, the Corporation was authorized by the Lieutenant Governor in Council to enter into agreements with other provinces regarding an interprovincial lottery scheme provided that the net proceeds accruing to Ontario under such lottery shall be paid into the Consolidated Revenue Fund to be held in trust by the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs pursuant to subsection 1 of section 16 of The Financial Administration Act, for such purposes as the Lieutenant Governor in Council may direct. The Provincial lottery is a joint undertaking by Ontario and the four western provinces acting through the Interprovincial Lottery Corporation, a company incorporated under the Canada Business Corporations Act, the shares of which are held by Her Majesty the Queen in right of the respective provinces.

The Ontario Lottery Corporation is the Regional Marketing Organization for "The Provincial" in Ontario, and the Western Canada Lottery Foundation is the Regional Marketing Organization for "The Provincial" in the four western provinces. Each of the two Regional Marketing Organizations purchases tickets for "The Provincial" from the Interprovincial Lottery Corporation and, subject to the cost of sales, each region is entitled to the profits from the sale of those tickets within their respective jurisdictions. The cost of tickets purchased from the Interprovincial Lottery Corporation is inclusive of the costs of printing, other central administrative costs, and the proportional share of prizes represented by the number of tickets purchased.

Payments out of the Fund are to be made for such purposes as the Lieutenant Governor in Council may, from time to time, direct. An Order in Council dated October 27, 1976 approved an initial dedication of Fund moneys in the amount of \$25,000,000 for the support of health research and health related environmental projects. A subsequent Order in Council dated February 9, 1977 authorized allocation of the \$25,000,000 as follows:

- (a) \$15,000,000 for health research, to be paid out to such recipients as the Minister of Health may, from time to time, direct;
- (b) \$5,000,000 for occupational health and safety, to be paid out to such recipients as the Minister of Labour may, from time to time, direct; and
- (c) \$5,000,000 for health related environmental projects, to be paid out to such recipients as the Minister of the Environment may, from time to time, direct.

The Order in Council further authorized that, until the entire \$25,000,000 has in fact been deposited in the Trust, the above noted amounts shall be paid from the moneys, from time to time available in the Trust, by the respective Ministers employing the following ratios,

Minister of Health	60%
Minister of Labour	20%
Minister of the Environment	20%

with the stipulation that individual projects be reviewed by Management Board of Cabinet and Cabinet in accordance with normal practices.

During 1976-77 \$10,000,000 had been deposited into the Fund. One payment in the amount of \$2,000,000 was made out of the Fund, leaving a balance in trust of \$8,000,000 at March 31, 1977. This payment was appropriately authorized and was made in the form of a grant to The Ontario Cancer Treatment and Research Foundation.

EFFINGHAM PARK EXPROPRIATION TRUST ACCOUNT—\$528,038

As part of an overall programme to establish a 1,435 acre provincial park in the Regional Municipality of Niagara, two adjacent parcels of land were expropriated in 1973 by the Ministry of Government Services on behalf of the Ministry of Natural Resources. The latter Ministry made payments totalling \$610,000 in respect of compensation and other expropriation costs. These payments were charged to applicable expenditure appropriations.

At the time of expropriation mortgages existed against the land parcels. The mortgagees declined to consider any immediate settlement of their interests in the properties and requested that they be paid over the remaining mortgage period ending in 1986. To accommodate this arrangement the bulk of the funds paid upon expropriation was returned to the Province to be held in an account designated as the Effingham Park Expropriation Trust Account.

The Minister of Government Services was authorized by Order in Council to make the annual payments of interest and principal due on the mortgages. The Treasurer of Ontario was similarly authorized to pay interest on the balance in the Account at the rate of 8.1 per cent per annum. At that interest rate it was determined that sufficient funds would be available for the payment of principal and interest on the mortgages until the date of their maturity.

During the 1976-77 fiscal year the Account earned interest in the amount of \$43,187. Mortgage principal and interest payments out of the Account during the same period totalled \$48,325, leaving a balance in trust of \$528,038 at March 31, 1977.

LOTO CANADA TRUST ACCOUNT—\$416,122

This Account was established by Order in Council dated March 16, 1977 for the purpose of receiving deposits of the Ontario portion of the proceeds from the sale of lottery tickets by Loto Canada Inc. Her Majesty in Right of Canada has authorized the payment to Ontario "of an amount not to exceed 12.5% of the amount being held to the credit of the government of the Province of Ontario in proportion to the number of tickets sold by Loto Canada Inc. in Ontario for 'Loto Canada' in the three month period immediately preceding the month of payment".

The Loto Canada Trust Account is administered by the Minister of Culture and Recreation. It is the responsibility of the Ministry of Culture and Recreation to see that all payments made from the Account are applied for the purposes set out from time to time by Order of the Lieutenant Governor.

During 1976-77 two receipts in the respective amounts of \$688,000 and \$388,827 had been received for deposit into the Account. One payment in the amount of \$660,705 has been made from the Account, leaving a balance in trust of \$416,122 at March 31, 1977. This payment was authorized by Order in Council dated March 30, 1977, and was made to the Municipality of Metropolitan Toronto to assist in financing the expansion of the Metropolitan Toronto Stadium.

TIMBER LICENCEE'S FUNDS HELD IN TRUST—\$391,256

In order to protect Crown charges in excess of \$682,000 owing by a lumber company for stumpage fees, forest products in the form of logs and lumber were seized by the Province. A chartered bank also made a claim against the forest products. The question of ownership has been left to the courts to decide and an action is still pending. With the approval of the chartered bank and the Ministry of the Attorney General, the seized products were sold to the highest bidder in 1976. Proceeds from the sale amounted to \$406,578.

Since the proceeds from the sale are still subject to disposal by the court, it has been decided to place them in a special interest bearing account designated as Timber Licencee's Funds Held in Trust. Also, in response to correspondence from the Minister of Natural Resources, some debtors have paid to the Treasurer of Ontario amounts owing to the lumber company. At March 31, 1977 these payments amounted to \$4,288 out of a total of \$100,630 owing.

One disbursement has been made from the fund in the amount of \$19,610 to the Ontario Northland Transportation Commission under a Carriers lien for storage charges. As at March 31, 1977 an amount of 391,256 remained on deposit.

28. Advances Payable. During the 1976-77 fiscal year advances of \$219,663,611 were received while advances of \$204,931,924 were repaid, leaving a balance of \$75,304,774 outstanding at March 31, 1977.

Advances payable at March 31, 1977 comprised two elements. The first element of \$56,154,774 represented funds advanced to the Province on an interim basis by the Central Mortgage and Housing Corporation for a portion of the cost of waste control projects under construction. When a project is completed the advance is partially forgiven and the balance converted to a forty year debenture. During the 1976-77 fiscal year advances in the amount of \$39,663,611 were received, while \$30,431,924 was forgiven or debentured.

The second element of \$19,150,000 represented deposits received from The Ontario Municipal Employees Retirement Fund in the period January 1, 1977 to March 31, 1977. This amount will be debentured as at December 31, 1977.

29. Treasury Bills. Treasury bill financing was re-commenced in 1975-76. During the 1976-77 fiscal year proceeds and redemptions totalled \$760,000,000 and

\$955,000,000 respectively, leaving Treasury bills outstanding in the amount of \$130,000,000 at March 31, 1977.

30. Debentures and Notes. During the 1976-77 fiscal year proceeds and repayments of debentures and notes totalled \$1,646,399,954 and \$104,904,370 respectively, leaving a balance of \$13,274,329,404 outstanding at March 31, 1977.

Details of debentures and notes outstanding are shown on pages 38-42 of Volume 1 of the 1976-77 Public Accounts. The currency in which the debenture liability is repayable is also reflected in Volume 1 of the 1976-77 Public Accounts, page 36. Of the debentures repayable in United States dollars, \$2,509,492,000 was in respect of debentures issued by the Province for the purpose of advancing funds to Ontario Hydro. For related asset see section 17.

A relatively minor portion, amounting to \$273,017,904, of the total debentures outstanding at March 31, 1977 is being amortized over the period 1977-78 through 2016-17. The balance of \$13,001,311,500, representing approximately 97 per cent of the debenture liability, consists of straight term debentures redeemable at maturity. A summary by year of maturity is as follows:

<i>Year of Maturity</i>	<i>Amount</i>
1977-78	\$ 60,415,000
1978-79	120,230,500
1979-80	87,482,000
1980-81	36,999,000
1981-82	92,503,000
1982-83	238,219,500
1983-84	189,858,000
1984-85	92,897,000
1985-86	305,133,000
1986-87	332,587,000
1987-88	773,663,500
1988-89	411,993,000
1989-90	445,777,000
1990-91	520,704,000
1991-92	498,328,000
1992-93	990,857,000
1993-94	931,092,000
1994-95	850,622,000
1995-96	1,163,834,000
1996-97	1,095,078,000
1997-98	611,004,000
1998-99	321,365,000
1999-2000	505,460,000
2000-01	125,035,000
2001-02	494,895,000
2002-03	452,975,000
2003-04	230,645,000
2004-05	371,660,000
2005-06	350,000,000
2006-07	300,000,000
	<u>\$13,001,311,500</u>

A heavy concentration of maturities is evident in the period 1992-93 through 1996-97. During that time the Province will be required to redeem approximately \$5,000,000,000 in debentures, of which \$3,400,000,000 are being held by the

Minister of Finance of Canada in respect of the Canada Pension Plan Investment Fund.

31. Contingent Liabilities. Contingent liabilities totalled \$5,734,631,542 at March 31, 1977. Details of contingent liabilities are shown in Volume 1 of the 1976-77 Public Accounts, pages 43-46.

COMMENTS ON THE CONSOLIDATED REVENUE FUND

32. Introductory Comments. As explained in the "Summary of Significant Accounting Policies" outlined in section 10 of this Report, the transactions of the Province are presented through the Consolidated Revenue Fund in summary form according to the three distinct areas of government activity:

- "Budgetary Transactions" are operational activities involving the raising of revenue from various sources on the one hand, and the expenditure for various government programs on the other.
- "Non-Budgetary Transactions" are the lending, investment and trust administration functions.
- "Debt Transactions" are the borrowing and repayment transactions.

33. Statement of Consolidated Revenue Fund. The Statement of Consolidated Revenue Fund for the fiscal year ended March 31, 1977 is contained in Volume 1 of the Public Accounts and is reproduced as Exhibit 1 to this Report. Where necessary 1975-76 figures have been reclassified to conform with 1976-77 presentation. The content of the Statement of Consolidated Revenue Fund may be summarized as follows:

	1976-77 \$	1975-76 \$
Payments into the Consolidated Revenue Fund:		
Budgetary Transactions		
Revenue	10,692,519,473	9,152,266,682
Non-Budgetary Transactions		
Receipts	265,374,793	248,423,019
Credits	398,826,405	307,399,011
Debt Transactions		
Proceeds of Loans	1,691,563,565	2,620,101,669
	<u>13,048,284,236</u>	<u>12,328,190,381</u>
Payments out of the Consolidated Revenue Fund:		
Budgetary Transactions		
Expenditure	11,921,237,211	10,632,241,331
Non-Budgetary Transactions		
Disbursements	907,291,213	1,305,052,595
Charges	116,525,210	99,380,533
Debt Transactions		
Retirements of Loans	330,336,294	116,775,575
	<u>13,275,389,928</u>	<u>12,153,450,034</u>
Increase (Decrease) in Consolidated Revenue Fund	(227,105,692)	174,740,347
Consolidated Revenue Fund: Beginning of year	1,031,041,384	856,301,037
Consolidated Revenue Fund: End of year	<u>803,935,692</u>	<u>1,031,041,384</u>

34. Payments into the Consolidated Revenue Fund. As indicated in the preceding summary these payments are classified as Revenue (Budgetary Transactions), Receipts and Credits (Non-Budgetary Transactions) and Proceeds of Loans (Debt Transactions). Revenue consists of moneys raised through taxation, premiums, fees, licences and permits, payments from the federal government under cost-shared programs and income from investments. Receipts are repayments received

relative to the investment activities (loans, advances, etc.) of the Province, while Credits are moneys received for allocation to the pension fund, deposit, trust and reserve account liabilities of the Province. Proceeds of Loans represent the moneys received from Provincial debenture issues and other borrowings.

35. Statement of Revenue. The Statement of Revenue is contained in Volume 1 of the 1976-77 Public Accounts and is reproduced as Exhibit 3 to this Report. In some cases the 1975-76 figures have been restated to reflect the adjustment of minor discrepancies noted subsequent to the close of the 1975-76 fiscal year.

The content of the Statement of Revenue may be summarized as follows:

	1976-77	1975-76	Increase (Decrease)
	\$	\$	\$
Recovery of prior years' expenditure	11,694,795	14,303,644	(2,608,849)
Taxation	6,005,968,570	5,205,178,671	800,789,899
Royalties	42,138,982	40,349,567	1,789,415
Fees, licences and permits	412,651,192	327,823,920	84,827,272
Fines and penalties	51,436,568	46,504,400	4,932,168
Profits from Crown Corporations and Boards	378,195,807	375,500,000	2,695,807
Public domain	2,780,379	2,599,868	180,511
Sales—land and buildings	14,380,651	7,742,180	6,638,471
Sales—other	10,554,009	7,454,357	3,099,652
Facilities	24,825,123	21,437,541	3,387,582
Premiums—Ontario Health Insurance Plan	798,656,250	572,521,648	226,134,602
Utility service charges	35,775,753	32,421,830	3,353,923
Miscellaneous	13,361,208	5,932,763	7,428,445
Government of Canada			
Reimbursements of Expenditures and Other	2,235,809,467	1,929,683,902	306,125,565
Reimbursements of Expenditures	31,093,454	29,785,926	1,307,528
Interest	623,197,265	533,026,465	90,170,800
	<u>10,692,519,473</u>	<u>9,152,266,682</u>	<u>1,540,252,791</u>

36. Additional Comments Re Revenue. The following comments are presented for informative purposes:

TAXATION. A breakdown of tax revenue by principal tax source is contained in the Statement of Revenue (Exhibit 3). Revenue from Retail Sales Tax rose from \$1.328 billion in 1975-76 to \$1.775 billion in 1976-77, thus accounting for a large portion of the \$.8 billion increase in total taxation revenue during the 1976-77 fiscal year. A Retail Sales Tax rate of 7 per cent was in effect throughout 1976-77; in the previous fiscal year the 7 per cent rate had been reduced to 5 per cent for the period April 8, 1975 through December 31, 1975.

FEES, LICENCES AND PERMITS. Vehicles, driver and other fees, licences and permits of the Ministry of Transportation and Communications amounted to \$248.9 million and accounted for 60.3 per cent of the total revenue in this category. The increase of \$84.8 million in revenue over the preceding year was contributed mainly by the Liquor Licence Board which was established under the Ministry of Consumer and Commercial Relations effective January 2, 1976. Prior to that date similar revenue was recorded by the Liquor Licence Board of Ontario and included with the revenue of the Liquor Control Board of Ontario under the "Profits from Crown Corporations and Boards" caption.

FINES AND PENALTIES. This revenue source consisted mainly of fines and penalties levied by the Criminal Division of Provincial Courts. These totalled \$49.8 million out of the total revenue of \$51.4 million in this category.

PROFITS FROM CROWN CORPORATIONS AND BOARDS. Revenue transferred to the Consolidated Revenue Fund during the year from the profits of the Liquor Control Board of Ontario amounted to \$302.2 million. This figure does not include revenue from the Liquor Licence Board—see comments under “Fees, Licences and Permits”.

Ontario Lottery proceeds paid into the Consolidated Revenue Fund in accordance with section 9 of The Ontario Lottery Corporation Act, 1974 totalled \$76 million. Section 9 of the Act further provides that such profits “be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor”. During the year ended March 31, 1977, payments by the Ministry of Culture and Recreation in the form of grants for projects, facilities and events amounted to \$33.3 million. See statement of “Wintario Proceeds” on page 56 of Volume 1 of the 1976-77 Public Accounts.

PREMIUMS. The revenue consisted of premiums received under the Ontario Health Insurance Plan. The increase of \$226.1 million in revenue over the preceding year can be attributed to an approximate 45 per cent increase in premium rates effective August 1, 1976.

GOVERNMENT OF CANADA—REIMBURSEMENTS OF EXPENDITURES AND OTHER. A breakdown of revenue from this source is contained in the Statement of Revenue (Exhibit 3). The major item of recovery for the year from the Government of Canada was under the Hospital Insurance and Diagnostic Services Act and totalled \$1.027 billion.

INTEREST ON LOANS, ADVANCES AND INVESTMENTS. The sources of interest revenue are fully detailed on pages 186-187 of Volume 1 of the 1976-77 Public Accounts.

Major sources of revenue were interest on advances to Ontario Hydro amounting to \$178.2 million, and interest on advances to The Ontario Education Capital Aid Corporation and The Ontario Universities Capital Aid Corporation of \$89.8 million and \$86.7 million, respectively.

37. Receipts. Receipts totalling \$265,374,793 for the 1976-77 fiscal year are shown on pages 16-17 of Volume 1 of the Public Accounts. Comments with respect to a number of receipt items are contained in the Comments on Assets and Liabilities sections (17-21) of this Report.

38. Credits. Credits totalling \$398,826,405 for the 1976-77 fiscal year are shown on pages 19-21 of Volume 1 of the Public Accounts. Comments with respect to a number of credit items are contained in the Comments on Assets and Liabilities sections (25-27) of this Report.

39. Proceeds of Loans. Proceeds of loans totalling \$1,691,563,565 for the 1976-77 fiscal year are shown on pages 25-26 of Volume 1 of the Public Accounts. These moneys resulted mainly from the issue of straight term and serial Ontario debentures maturing in the years 1996 to 2016.

40. Payments out of the Consolidated Revenue Fund. As indicated in the summary contained in section 33 these payments are classified as Budgetary Expenditure (Budgetary Transactions), Disbursements and Charges (Non-Budgetary Transactions) and Retirements of Loans (Debt Transactions).

Budgetary Expenditure includes payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts. Retirements of Loans are payments in respect of the debt obligations of the Province.

Payments out of the Consolidated Revenue Fund are of two major types: those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as The Supply Act, may be augmented by Management Board Orders. The nature of Management Board Orders is more fully explained in section 104.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 106.

A summary of the payments out of the Consolidated Revenue Fund by type and classification is as follows:

<i>Payments re</i>	<i>1976-77</i>	<i>1975-76</i>
	\$	\$
Voted Appropriations		
Per Legislative Assembly		
Budgetary Expenditure	10,453,075,765	9,388,023,659
Disbursements	425,844,291	467,403,645
Charges	—	45,624
	<u>10,878,930,056</u>	<u>9,855,472,928</u>
Per Management Board Orders		
Budgetary Expenditure	273,819,858	254,487,787
Disbursements	26,755	10,542,096
Charges	—	—
	<u>273,846,613</u>	<u>265,029,883</u>
Total Voted Appropriations	<u>11,152,766,669</u>	<u>10,120,502,811</u>
Statutory Appropriations		
Budgetary Expenditure	1,194,284,254	989,636,935
Disbursements	475,170,167	827,106,854
Charges	116,525,210	99,334,909
Retirements of Loans	330,336,294	116,775,575
Total Statutory Appropriation	<u>2,116,315,925</u>	<u>2,032,854,273</u>
Special Warrants		
Budgetary Expenditure	57,334	92,950
Disbursements	6,250,000	—
Charges	—	—
Total Special Warrants	<u>6,307,334</u>	<u>92,950</u>
Total Payments	<u>13,275,389,928</u>	<u>12,153,450,034</u>

41. Incidence of Statutory Appropriations. During the 1976-77 fiscal year payments relative to Statutory Appropriations exceeded \$2.1 billion and constituted 15.9 per cent of the total payments out of the Consolidated Revenue Fund. Comparative percentages for the 1975-76 and 1974-75 fiscal years were 16.5 and 20.4 respectively.

Payments out of Statutory Appropriations, together with identification of the authorizing legislation, are reflected in Volume 1 of the 1976-77 Public Accounts. For reference purposes 1976-77 statutory payment activity is summarized in Exhibit 7.

As we have stated in previous Reports, in our opinion many of the payments therein could be brought under the annual control of the Legislative Assembly and related to Voted Appropriations rather than Statutory Appropriations. Precedent for such action has already been established. For example, disbursements under The Ontario Housing Corporation Act, shown as \$36,149,002 on page 325 of Volume 1 of the 1976-77 Public Accounts, could be classified as statutory under the provisions of The Ontario Housing Corporation Act. Instead, however, they were paid out of funds appropriated by the Legislature.

Similar action could be taken with respect to many other payments classified as statutory. For example, disbursements to The Ontario Education Capital Aid Corporation, The Ontario Universities Capital Aid Corporation and The Ontario Municipal Improvement Corporation for development loan activity could, we feel, be voted by the Legislature as could disbursements to Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation for term loan activity. In 1976-77 disbursements for development loan activity and for term loan activity totalled \$125,781,742 and \$30,447,002 respectively.

42. Comparison of Authorized and Actual Payments—Voted Appropriations.

This comparison for the fiscal year ended March 31, 1977 is as follows:

	Authorized \$	Actual \$	Actual Under (Over) Authorized \$
Voted Appropriations			
Per Legislative Assembly			
Budgetary Expenditure	10,951,337,300	10,453,075,765	498,251,535
Disbursements	490,487,600	425,844,291	64,643,309
Charges	—	—	—
	<u>11,441,824,900</u>	<u>10,878,920,056</u>	<u>562,894,844</u>
Per Management Board Orders			
Budgetary Expenditure	301,846,150	273,819,858	28,036,292
Disbursements	45,000	26,755	18,245
Charges	—	—	—
	<u>301,891,150</u>	<u>273,846,613</u>	<u>28,054,537</u>
Total Voted Appropriations	<u>11,743,716,050</u>	<u>11,152,766,669</u>	<u>590,949,381</u>

It will be noted that the amount of \$11,441,824,900 appropriated by the Legislative Assembly in itself exceeded the total actual payments of \$11,152,766,669. This excess was in the amount of \$289,058,231. Where individual votes and items were of insufficient amount, funds in excess of those

authorized by the Legislative Assembly were made available under the authority of Management Board Orders.

43. Statement of Budgetary Expenditure. The Statement of Budgetary Expenditure is contained in Volume 1 of the 1976-77 Public Accounts and is reproduced as Exhibit 4 to this Report. Budgetary Expenditure may be summarized as follows:

<i>Budgetary Expenditure re</i>	<i>1976-77</i> \$	<i>1975-76</i> \$
Voted Appropriations		
Per Legislative Assembly	10,453,075,765	9,388,023,659
Per Management Board Orders	273,819,858	254,487,787
	10,726,895,623	9,642,511,446
Statutory Appropriations	1,194,284,254	989,636,935
Special Warrants	57,334	92,950
Total Budgetary Expenditure	11,921,237,211	10,632,241,331

44. Summary of Budgetary Expenditure by Ministry. The following summary compares, by Ministry, Budgetary Expenditure for the 1976-77 fiscal year with that for the 1975-76 fiscal year. The 1975-76 figures have been restated, where necessary, to reflect the 1976-77 transfer of functions between Ministries.

By way of additional information, a monthly breakdown of budgetary expenditure by Ministry is presented as Exhibit 5 to this Report.

<i>Ministry</i>	<i>1976-77</i> \$	<i>1975-76</i> \$	<i>Increase (Decrease)</i> \$
Office of the Lieutenant Governor	92,597	93,092	(495)
Office of the Assembly	16,751,833	30,310,311	(13,558,478)
Office of the Premier	1,442,526	1,337,101	105,425
Cabinet Office	1,002,099	942,628	59,471
Management Board of Cabinet	8,140,450	7,503,587	636,863
Office of Provincial Auditor	1,706,630	1,544,261	162,369
Office of the Ombudsman	2,809,000	1,297,044	1,511,956
Government Services	295,679,743	288,380,837	7,298,906
Northern Affairs	57,334	—	57,334
Revenue	197,869,618	172,995,073	24,874,545
Treasury, Economics and Intergovernmental Affairs	1,580,635,395	1,288,603,094	292,032,301
Justice Policy	367,904	353,200	14,704
Attorney General	118,916,190	100,491,692	18,424,498
Consumer and Commercial Relations	60,488,416	43,337,457	17,150,959
Correctional Services	144,651,904	122,338,819	22,313,085
Solicitor General	143,723,061	128,018,608	15,704,453
Resources Development Policy	3,045,549	2,326,322	719,227
Agriculture and Food	165,636,082	151,787,711	13,848,371
Energy	3,679,707	3,480,519	199,188
Environment	98,808,847	82,956,640	15,852,207
Housing	157,195,188	191,951,233	(34,756,045)
Industry and Tourism	56,247,463	50,151,057	6,096,406
Labour	20,461,236	19,044,309	1,416,927
Natural Resources	239,442,268	207,658,476	31,783,792
Transportation and Communications	966,023,608	964,207,211	1,816,397
Social Development Policy	2,001,461	1,755,226	246,235
Colleges and Universities	1,157,565,831	1,019,134,305	138,431,526

Community and Social Services	947,097,501	881,473,684	65,623,817
Culture and Recreation	144,020,494	108,542,683	35,477,811
Education	1,984,215,051	1,775,584,142	208,630,909
Health	3,401,462,225	2,984,641,009	416,821,216
	<u>11,921,237,211</u>	<u>10,632,241,331</u>	<u>1,288,995,880</u>

45. Additional Comments re Budgetary Expenditure. The following comments are presented for informative purposes:

GOVERNMENT SERVICES. The Provision of Accommodation Program was the major expenditure of the Ministry. This program provided accommodation for ministries and agencies of the Ontario Government. Expenditure on the program totalled \$157.5 million for 1976-77.

TREASURY, ECONOMICS AND INTERGOVERNMENTAL AFFAIRS. Public Debt interest payments on securities issued and other borrowings constituted the principal component of expenditure and amounted to \$1.068 billion in 1976-77. This was an increase of \$201.8 million over the previous year.

The Tax Reform Program, which provided assistance to alleviate the incidence of property tax burden on Ontario residents, expended a total of \$451.4 million during 1976-77, an increase of \$96.4 million over the previous year.

NATURAL RESOURCES. Salaries and Wages and Employee Benefits represented 53.2 per cent of the expenditure for the year and accounted for a major portion of the increase in expenditure over that of the previous year.

TRANSPORTATION AND COMMUNICATIONS. The principal areas of expenditure in 1976-77 were the Provincial Roads Program, \$402.1 million, the Municipal Roads Program, \$299.1 million, and the Municipal Transit Program, \$147.2 million. These programs included construction and maintenance of the Provincial road network and assistance to municipalities for municipal roads and urban transit systems.

COLLEGES AND UNIVERSITIES. Transfer payments amounted to \$1.141 billion and represented 98.6 per cent of the Ministry's expenditure. Grants for Universities and related organizations amounted to \$735.9 million, while grants for Colleges of Applied Arts and Technology and other organizations amounted to \$341.1 million.

COMMUNITY AND SOCIAL SERVICES. Transfer payments totalled \$772.4 million and represented 81.6 per cent of the Ministry's expenditure which was concentrated mainly in the Social Resources Program and the Developmental Resources Program. These programs provided financial assistance and social services to persons in need and community-based services for the developmentally handicapped.

EDUCATION. Transfer payments aggregated \$1.915 billion and represented 96.5 per cent of the Ministry's expenditure in 1976-77. The General Legislative Grants transfer payment under the School Business and Finance activity of the

Education Development and Administration Program amounted to \$1.692 billion, an increase of \$117.9 million over the preceding year.

The Ministry's expenditure of \$1.984 billion was 16.6 per cent of the total expenditure of the Province for the year.

Expenditure on education by both the Ministry of Education and the Ministry of Colleges and Universities amounted to \$3.141 billion, or 26.4 per cent of the total expenditure of the Province for the year. The comparable figures for the preceding year, as restated, were \$2.794 billion and 26.3 per cent.

HEALTH. Transfer payments amounted to \$3.137 billion and represented 92.2 per cent of the Ministry's expenditure in 1976-77. Payments made for the operation of hospitals and related facilities, \$1.881 billion, and for care provided by physicians and practitioners under the Ontario Health Insurance Plan, \$0.8 billion, accounted for 85.5 per cent of the total transfer payments. The specified payments increased by \$280.4 million and \$58.2 million respectively in 1976-77, accounting for 81.2 per cent of the increase in the Ministry's expenditure for the year.

The Ministry's expenditure of \$3.401 billion was 28.5 per cent of the total expenditure of the Province for the year. Comparable figures for the preceding year, as restated, were \$2.984 billion and 28.1 per cent.

46. Disbursements. Disbursements may be summarized as follows:

<i>Disbursements re</i>	<i>1976-77</i>	<i>1975-76</i>
	\$	\$
Voted Appropriations		
Per Legislative Assembly	425,844,291	467,403,645
Per Management Board Orders	26,755	10,542,096
	<hr/>	<hr/>
	425,871,046	477,945,741
Statutory Appropriations	475,170,167	827,106,854
	<hr/>	<hr/>
	901,041,213	1,305,052,595
	<hr/>	<hr/>

As is evident from the foregoing summary, Disbursements made out of Statutory Appropriations decreased by approximately \$350,000,000 in 1976-77. Significant in this regard was a reduction in advances made to Ontario Hydro from \$575,000,000 in 1975-76 to \$300,000,000 in 1976-77.

Details of Disbursements are shown on page 18 of Volume 1 of the 1976-77 Public Accounts. Comments with respect to a number of disbursement items are contained in the Comments on Assets and Liabilities sections (17-21) of this Report.

47. Charges. In 1976-77 Charges totalled \$116,525,210, all of which was paid out of Statutory Appropriations.

Details of Charges are shown on pages 22-24 of Volume 1 of the 1976-77 Public Accounts. Comments with respect to a number of charge items are included in the Comments on Assets and Liabilities sections (25-27) of this Report.

48. Retirements of Loans. Retirements of loans totalling \$330,336,294 for the 1976-77 fiscal year are shown on pages 27-28 of Volume 1 of the Public Accounts. These payments relate to the redemption of Ontario debentures.

COMMENTS ON REVENUE AND EXPENDITURE TRANSACTIONS

49. Introductory Comments. Most of the comments contained in this segment of the Report relate to Revenue and Expenditure transactions. Some however, are relevant to other types of payments into, and payments out of, the Consolidated Revenue Fund which are described in sections 34 and 40—Receipts and Credits, Disbursements and Charges, etc. The caption, "Comments on Revenue and Expenditure Transactions" has been selected for simplicity of reference. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 9. The audit of revenue and expenditure at the various Ministries and Institutions included a general review of accounting procedures and such tests of accounting records and other supporting evidence as were considered necessary in the circumstances.

50. Audit of Revenue. Our audit activity is mainly devoted to the verification of revenue transactions and the review of related internal controls. Considerable stress is placed on determining whether there is full compliance with existing Statutes and Regulations, and on the review of procedures established within each Ministry for the verification and reconciliation of its revenue.

During the year we continued our emphasis on the major revenue-producing areas of the Government. Taxation revenue, for example, amounted to over \$6 billion or 56.2 per cent of the total revenue for the year. Accordingly, an audit team is located at the Ministry of Revenue to perform a continuous audit of taxation revenue. Similarly, our Office maintains a separate group of auditors whose function is the review of claims on the Government of Canada which arise from contributory or cost-sharing agreements and programs.

51. Audit of Budgetary Expenditure. The audit of budgetary expenditure was conducted under the following main classifications—Transfer Payments; Acquisition/Construction of Physical Assets; and Administrative Expenditure. Under these classifications the expenditure for the year, as shown on page 64 of Volume 1 of the 1976-77 Public Accounts, may be summarized as follows:

	\$	%
Transfer Payments	8,520,105,381	71.5
Acquisition/Construction of Physical Assets	303,497,490	2.5
Administrative Expenditure		
Salaries and Wages	1,241,282,186	10.4
Other Transactions		
—includes public debt expenditure (interest on		
debentures, etc.) of \$1,068,540,937	1,121,108,530	9.4
Services	338,374,508	2.8
Supplies and Equipment	226,468,304	1.9
Employee Benefits	187,700,213	1.6
Transportation and Communication	81,707,909	.7
	12,020,244,521	
Less: Recoveries from other Activities, Ministries, etc.	99,007,310	(.8)
	11,921,237,211	100.0

Audits undertaken by the Provincial Auditor are financially oriented, and are primarily concerned with accounting accuracy and compliance. Nevertheless, as the material contained in subsequent sections of this Report will indicate, we have not restricted our activities to a financial audit. It is important to note, however, that our non-financial or operational audit involvement is somewhat restricted in that 71.5 per cent of the Province's expenditure on budgetary transactions is in the form of transfer payments.

52. Transfer Payments. Transfer payments represent expenditure made to individuals, organizations and other levels of government and for which the Ontario Government does not directly receive goods or services. Such expenditure is made in accordance with legislation or established Ministry rules.

Our audit of transfer payments essentially concerns itself with the authorization, calculation and payment procedures in the Ministries, and involves, in particular, an assessment of the applicable legal and administrative framework. The disposition of funds received in the form of transfer payments is made by the recipient individual, organization or other government body. Therefore, in most cases, an assessment of relative economy, efficiency and the procedures for measuring effectiveness is considered beyond the purview of this Office.

Organizations and government bodies in receipt of transfer payments are usually subject to review by other auditors such as public accounting firms. Generally speaking, the paying Ministry, as a condition of payment, requires the recipient to periodically submit audited financial statements. In some cases, also, internal audit or similarly functioning groups within the Ministries may visit recipient organizations and government bodies for the purpose of reviewing their financial records.

In 1976-77 over \$6.1 billion, or more than 72 per cent of the total transfer payments, was expended by three Ministries. A summary of the payments by the three Ministries, including identification of major categories, is as follows:

<i>Ministry</i>	<i>Category</i>	<i>Amount \$</i>
Colleges and Universities	Grants for Universities and Related Organizations	735,947,089
	Grants for Colleges of Applied Arts and Technology, etc.	341,153,130
	Other transfer payments	64,665,569
		<u>1,141,765,788</u>
Education	General Legislative Grants	1,692,741,182
	Payments to Teachers' Superannuation Commission	208,661,350
	Other transfer payments	13,808,241
		<u>1,915,210,773</u>
Health	Operation of hospitals and related facilities	1,881,128,024
	Payments re physicians' and practitioners' services under OHIP	800,259,756
	Other transfer payments	456,144,732
		<u>3,137,532,512</u>
Total		<u><u>6,194,509,073</u></u>

53. Acquisition/Construction of Physical Assets. This classification includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. Also included in this category is the cost of acquisition of land. Our audit of acquisition/construction of physical assets includes the examination of relevant contract records, procedures for awarding contracts and purchasing procedures. Asset records of projects, both under construction and completed, are also examined.

As previously indicated in section 11, the acquisition/construction of physical assets account does not include the cost of work performed by the Province's own labour force which contributes to new capital formation such as new buildings, engineering structures, etc., nor does it include the cost of materials and services provided by the Province for use by contractors on new capital formation projects. These expenditures, which totalled in excess of \$66 million for the year ended March 31, 1977, were charged to the administrative expenditure category and were included in the appropriate accounts classification—salaries and wages, services, etc.

54. Administrative Expenditure. As indicated in the foregoing summary, administrative expenditure is identified by sub-categories, the content of which is largely self-explanatory. However, a more detailed description of the type of expenditure included in each sub-category is contained on page 8 of Volume 1 of the 1976-77 Public Accounts. Our audit of administrative expenditure includes an evaluation of the internal control over expenditure processing, and a review of inventory controls and purchasing procedures.

55. Recoveries from Other Activities, Ministries etc. These recoveries relate mainly to costs incurred on behalf of other Ministries by certain Ministries as, for example, by the Ministry of Government Services with respect to the provision of printing and stationery services. The incurring Ministry subsequently effects recovery by transferring the costs involved to the benefiting Ministry. For Public Accounts presentation purposes, these recoveries are generally not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

56. Audit Memoranda. Memoranda on the various audits and examinations performed during the year were submitted to the Deputy Minister of each Ministry concerned. Observations and comments were made on matters noted during the conduct of the audits. Included in the memoranda were recommendations and suggestions for improvement in internal controls and general efficiency of the accounting process. The Deputy Ministers were asked to review the memoranda and to forward their comments on our findings and recommendations. This procedure provides each Ministry with an opportunity to question the position taken by this Office or to initiate immediate corrective action.

Matters which were raised in memoranda covering these audits, and which, in our considered opinion, should be brought to the attention of the Legislative Assembly, are included in subsequent sections of this Report. Not all of the

subsequent content is of a critical nature; many of our comments are for informative purposes only. For the most part the caption of the section will indicate whether the content is of a critical or informative nature.

Pertinent replies received from the Ministries to the time of completion of this Report have been included without further comment by this Office, but will be reviewed during subsequent audits of the respective Ministries.

57. Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Reports. It is our practice to follow up on suggested corrective action and recommendations at the time of our next audit of the applicable revenue or expenditure area. The status of suggested corrective action and recommendations contained in our 1975-76 Report is indicated in Exhibit 11 to this Report. Exhibit 11 also provides an update on the status of corrective action and recommendations not fully implemented per Exhibit 11 in our 1975-76 Report.

58. Newly Established Ministry. The Ministry of Northern Affairs Act, 1977 received Royal Assent on July 12, 1977. Under the Act the Ministry of Northern Affairs was established effective April 1, 1977 for the purpose of co-ordinating the activities of the Government in Northern Ontario.

Prior to April 1, 1977 expenditure of \$57,334 was incurred and paid under the authority of a Special Warrant (see section 106). The Special Warrant was issued in the amount of \$60,000 for the purposes of defraying the costs of the Ministry of Northern Affairs from February 3, 1977 through March 31, 1977.

For the purposes of presentation in the 1976-77 Public Accounts, the referenced expenditure activity has been reflected under the caption of "Ministry of Northern Affairs".

59. Ontario Beef Calf Income Stabilization Program, Ministry of Agriculture and Food. The purpose of the Ontario Beef Calf Income Stabilization Program, introduced in 1975 by Order in Council pursuant to section 5 of The Ministry of Agriculture and Food Act, is to stabilize the income of participating beef calf producers by establishing a floor on the amount of money that an efficient producer would be expected to receive over and above operating costs in years of poor calf prices.

The following statistics prepared by the Ministry indicate the activity of this program in two fiscal years:

	1975-76	1976-77
Number of producers enrolled	12,113	15,276
Number of cows enrolled	312,019	355,464
Total gross payments	\$24,084,284	\$22,543,000
Gross payment per cow	\$ 77	\$ 63
Enrolment fee revenue	\$ 1,560,095	\$ 1,777,320

The program is designed to run for five years ending in 1980 and originally a two to one government/producer contribution ratio was planned for the five-year

period. The contribution ratios for the first two years have been 14.4 to 1 and 11.7 to 1 respectively.

The Order in Council restricts participation in the program to producers who maintain herds of cows on a full-time basis for the purpose of producing beef calves. In this connection, it was noted that the program does not limit coverage to producers who realize a minimum income nor does it limit the maximum assistance to any one producer.

We recommended that consideration be given to these matters.

The Ministry subsequently advised that:

"The question of maximum payment, qualifications for eligibility, etc., are policy matters which receive continual review."

60. Possible Loss re Guarantee of Bank Loans to the Ontario Grape Growers' Marketing Board, Ministry of Agriculture and Food. Under authority of Orders in Council pursuant to sections 5 and 5a of The Ministry of Agriculture and Food Act, bank loans to The Ontario Grape Growers' Marketing Board have been guaranteed by the Province. Order in Council 2498/75 guaranteed payment of a loan of up to \$7,000,000 for the purpose of purchasing, processing and marketing grapes from the 1975 crop which were surplus to the requirements of the grape processors. Order in Council 3232/76 similarly guaranteed payment of a loan of up to \$700,000 for the purpose of purchasing, processing, marketing and storing grapes from the 1976 crop. The two guarantees terminate on August 31, 1979 and August 31, 1980 respectively. As at January 31, 1977 the outstanding loans on the 1975 and 1976 crops were \$2,646,000 and \$366,000 respectively.

As a result of reviews conducted by the Audit Services Branch of the Ministry and by the Operational Review Branch, Management Board of Cabinet, certain deficiencies in the inventory control and product costing records maintained by The Ontario Grape Growers' Marketing Board were discovered and recommendations for corrective action were made. We also noted from a draft report prepared by the Operational Review Branch that because of market conditions, the loss to the Province in connection with the bank loan guarantees may be as much as \$3,000,000.

On September 22, 1977 the Ministry replied as follows:

"The recommendations for improved inventory control and cost records were put into place immediately by the Board.

"Any eventual loss will depend on market price of final product—we have been negotiating to obtain highest price."

61. Automobile Transportation Costs, Ministry of the Attorney General. During the period April to December 1976 a total of \$60,417 was paid to an automobile livery for limousine service. An analysis of the supplier's invoices revealed that most charges were for judges, their staffs, matrons and jurors. It is recommended that such charges be reviewed and a policy established on the payment of transportation charges of individuals.

A review was made of the Management Audit Report on the Office of the Sheriff of the Judicial District of York for the period February 1975 to November 1976. Included therein was a Cost Survey—Owned to Leased Cars. This survey showed that the cost of leasing and operating 24 passenger cars over 30 months amounted to \$170,050 and that the cost of purchasing and operating similar cars over the same period of time was calculated to be \$138,445. This indicated that a potential saving of \$31,605 would be realized if purchased vehicles were used instead of leased vehicles. The calculations included maintenance, insurance and gasoline costs for both types of vehicles but not the trade-in values of the purchased vehicles which were estimated to be \$1,500 to \$2,000 each. We recommended that consideration be given to the conclusions of this survey with a view to achieving savings in transportation costs in the Ministry.

The preceding comments were included in our memorandum of July 14, 1977 to the Ministry. As at the date of this Report, September 30, 1977, we have no record of a reply. We are, therefore, unable to present the Ministry's views in the matter.

62. Observations re Expenditure of the Royal Commission on Violence in the Communications Industry, Ministry of the Attorney General. The Royal Commission on Violence in the Communications Industry was established by Order in Council dated May 7, 1975 and its work continued until June 30, 1977. The Commission, which consisted of three members including the Chairman, was to study the possible harm to the public interest of the increasing exploitation of violence in the communications industry. In carrying out its duties the Commissioners were empowered "to engage such staff, secretarial and otherwise, and technical advisers as they deem proper, at rates of remuneration and reimbursement to be approved by the Management Board of Cabinet".

The expenditure of the Commission, as recorded in the accounts of the Ministry, from inception to August 31, 1977 amounted to \$2,026,245 and may be summarized as follows:

	\$	\$
REMUNERATION: COMMISSION MEMBERS		
Per Diem Fees	131,194	
Salary and Benefits	14,969	146,163
REMUNERATION: STAFF AND OTHERS		
Research Services	461,986	
Salaries and Benefits	345,455	
Other Professional Services	101,621	
Temporary Help Services	70,559	979,621
TRANSPORTATION AND COMMUNICATION		
Travel, Accommodation and Food	124,237	
Telephone Services	30,670	
Mailing and Courier Services	17,055	171,962
ADVERTISING		203,090
PRINTING		
Interim Report	37,781	
Final Report*	120,239	
Other	31,208	189,228

OFFICE AND ADMINISTRATIVE

Rent, Leasehold Improvements and Parking	97,408	
Furniture and Equipment	58,736	
Production of Film	37,888	
Rental of Equipment	29,407	
Stationery and Office Supplies	20,836	
Interpreters' and Translators' Fees	17,916	
Books and Publications	16,896	
Press Clipping Service	12,794	
Other	44,300	336,181
		<u>2,026,245</u>

*Additional costs known or estimated in connection with the printing of the Commission's final report, but not recorded in the accounts as at August 31, 1977, totalled \$191,225.

Observations made with respect to a number of the summarized expense categories are as follows:

Remuneration: Commission Members

While engaged in the business of the Commission, the Chairman was paid at the rate of \$250 per day while one of the other members was paid at the rate of \$180 per day. Total payments amounted to \$93,000 and \$38,194 respectively. The per diem fees were in addition to reimbursement of travelling, living and out of pocket expenses incurred in the course of Commission duties.

The third member of the Commission was a public servant and did not receive a per diem fee. However, a portion of the salary and employee benefits for this member was charged to the Commission's accounts. The basis for the charge which amounted to \$14,969 was not evident.

Remuneration: Staff and Others

The research costs of \$461,986 included payments totalling \$79,950 to the Director of Research with the balance being paid to principal investigators and others engaged for research projects. The research program, described by a Commission official as the largest Canadian communications research project ever carried out, was broken down into sections for individual studies. Many of the principal investigators were university faculty members selected on the basis of their known qualifications. We were informed that time constraints and the scarcity of qualified persons in many of the research fields precluded normal selection procedures. Letters of agreement for some 28 research projects were exchanged with faculty members and others during May—September 1976. Management Board of Cabinet approved a request to establish the rates of remuneration on July 13, 1976.

The Ontario Manual of Administration, section 50-9-4 requires that research relationships with faculty members should have the written concurrence of the university and that payments be made to the individual on the written concurrence of the university. It was not apparent that such concurrences had been obtained.

The Commission's costs for temporary help services, including payments to a number of persons engaged for editing and proofreading, amounted to \$70,559. Of this total, only \$7,295 was for employees supplied by the GO Temporary service administered by the Civil Service Commission. It was explained that the

Commission required a standard of work not always available through GO Temporary. In our opinion GO Temporary should have been considered as the primary source for all temporary help requirements.

Transportation and Communication

Travel expenses of the Commission as recorded in the accounts to August 31, 1977 may be summarized as follows:

	\$
Accommodation and Food	53,423
Commercial Air Travel	25,709
Limousines and Taxis	10,024
Rental of Automobiles	7,757
Other travel expenses	5,972
	<u>102,885</u>

Not included in the above expenses are charges of \$15,026 incurred for the use of Ministry of Natural Resources aircraft and \$6,326 for the rental of vehicles from other Ministries.

Two members of the Commission and three members of the staff of the Commission visited various European countries while all three members of the Commission and two members of the staff travelled to points in the United States. In all, some fourteen countries in Europe and five cities in the United States were visited. The European and United States travel and associated costs totalled in excess of \$46,000 and \$10,000 respectively.

During a review of the expense claims for foreign travel our observations included the following:

1. Average accommodation (room) cost per person was approximately \$52 per day in Europe and \$49 per day in the United States. With respect to a seven-day stay in one European city the hotel bill for a Commission member reflected accommodation costs in excess of \$150 per day.
2. The hotel bill for a Commission member during the aforementioned seven-day stay in the European city included room service charges totalling \$688. The nature of the room service charges was not disclosed on the expense claim but presumably included food costs.
3. The hotel bills for a seven-day stay by a member of the Commission and a staff member in another European city were included on the expense claim of the staff member. The hotel bills which totalled \$2,233 included expenses of \$1,254 of an unidentified nature. However, the claimant had certified that the total amount had been incurred for room, food, rental car and miscellaneous expenses.
4. Average food cost claimed per person was approximately \$39 per day in Europe and \$31 per day in the United States. However, these average amounts included costs for guests on some occasions and did not include food which may have been provided by room service. Costs for individual

meals ranged as high as \$55 per person in both Europe and the United States.

5. Commission members and staff received assistance from the offices of the Department of External Affairs (Canada) in several European cities. This assistance was mainly comprised of the hiring and paying for interpreters, chauffeurs and automobiles. The Commission was charged a total of \$5,612 for this assistance.
6. Limousine service was used during the visit of two members of the Commission and one staff member to Los Angeles in October 1976. The cost for this service was \$474 including gratuities of \$50.

The following observations were among those made during our review of the expenses for travel in Canada:

1. Ministry of Natural Resources aircraft were chartered during the period October 1975 to May 1976 to transport members of the Commission and staff to public hearings. Total cost of the charters was \$15,026 with the majority of the flights being to points in Northern Ontario.
2. Payments to a Toronto taxi-cab firm from the inception of the Commission to August 31, 1977 amounted to \$5,315. Our review of the trip tickets revealed that a number of trips were to and from the home addresses of members of the staff and to locations in the downtown Toronto area where public transportation is available. We noted that in 45 instances the trip ticket had not been signed by the passenger.
3. A limousine with chauffeur was engaged to transport two members of the Commission and two staff members to a conference held in Kingston in August 1975. The cost including accommodation and meals for the chauffeur was \$658.
4. In three instances accounts totalling \$608 for the rental of automobiles gave no indication of the specific purposes for the rental.
5. Limousine service was used by a member of the Commission for transportation to a meeting at London in November 1976. The cost including four hours waiting time at London was \$127.

In our opinion, the Commission frequently did not adhere to the rules and procedures laid down in the Ontario Manual of Administration for travel, meal and hospitality expenses.

Advertising

Advertising costs of \$203,090 included \$148,417 paid to the Advertising Agency of Record, the Agency appointed to act as the central purchasing authority for all media space and time purchased on behalf of the government, and \$54,065 to an advertising agency selected by the Commission. It would appear that the latter agency was selected on the basis of verbal proposals and that initially the requirements for the purchase of space were not routed through the Agency of Record. These procedures are not in accordance with the Ontario Manual of

Administration.

In addition to advertising copy, 500 photographic prints of each member were obtained at a cost of \$3,360 and supplied to the print media to assist in publicizing the hearings held by the Commission.

Printing

An Interim Report was issued by the Commission in January 1976. The cost of printing 5,100 copies of the English language version was \$33,946. Subsequently 2,000 copies of the French language version were printed in a somewhat less elaborate form at a cost of \$1,500 for translation and \$3,835 for printing. Distribution of the Interim Report was on a "free" basis to libraries, press, schools, municipalities and the public generally.

Arrangements for printing the English version apparently were made directly with the printer by the Commission rather than through the Purchasing Section of the Ministry of the Attorney General and the Printing Services Branch of the Ministry of Government Services. We did not observe any evidence of tendering procedures.

The Final Report of the Royal Commission was issued in seven volumes during June and July 1977. A French language version of Volume 1 of the Report had still to be printed as at August 31, 1977. The costs, accrued and estimated, are summarized as follows:

	\$
Graphic Design	14,000
English Language, Volumes 1—7	
Typesetting	126,885
Printing	96,916
French Language, Volume 1	
Translation	51,750
Proofreading (estimate)	3,250
Typesetting (estimate)	7,602
Printing (estimate)	11,061
	<u>\$311,464</u>

Tenders for typesetting and printing were solicited by the Printing Services Branch of the Ministry of Government Services and contracts were awarded to the lowest bidder in each case. It was noted that the charges billed for typesetting exceeded the tendered price by \$99,754, the additional costs arising principally from the inclusion of a greater number of tables than anticipated (\$31,696), overtime (\$36,660) and author's alterations (\$19,013). The charges billed for printing have exceeded the tendered price by \$26,065. This increase in costs was due mainly to the requirement for additional sections and pages.

Details on the receipt and distribution of the Report up to July 31, 1977 are as follows:

<i>Volume</i>	<i>Ordered</i>	<i>Received</i>	<i>Distributed</i>	<i>Publications Warehouse Stock</i>
1 (English)	10,000	10,053	4,176	5,877
2	3,000	2,920	143	2,777
3	3,000	2,752	25	2,727
4	3,000	2,885	201	2,684
5	3,000	2,864	152	2,712
6	3,000	2,892	69	2,823
7	3,000	2,945	81	2,864
1 (French)	3,000	—	—	—

Sales prices have been set at \$3 for Volume 1 and \$8 each for Volumes 2 to 7. A breakdown between free distribution and sales was not readily available from the Publications Warehouse records. However, of the 4,176 copies of Volume 1 shown as distributed, 660 were requisitioned by the Government Bookstore. Of these, 531 had been sold by September 9, 1977. The initial free distribution of Volume 1 was in excess of 2,000 copies on a basis similar to that for the Interim Report.

Office and Administrative

Arrangements for the lease and furniture were made through the Ministry of Government Services. Upon conclusion of the Commission's work, the furniture was returned to the Ministry of Government Services.

Office machinery and equipment purchased by the Commission were returned to the stores of the Ministry of the Attorney General prior to June 30, 1977. An inventory check carried out by the Ministry found that five items of dictaphone/recorder tape equipment were missing. The items were carried in inventory at a total value of \$2,625 and were said to have been stolen. Two other recorders valued at \$500 each and returned as irreparable were said to have been damaged in Europe.

The Commission was provided with an accountable advance account which was used for salary and travel advances and for the purchase of services and supplies. The amount of the advance varied from a low of \$4,000 to a high of \$24,000.

We noted that salary advances totalling \$5,250 made to a Commission employee during June and July 1975 were reimbursed to the accountable advance account by instalments extending over the period August to December 1975. As at the date of our examination, August 31, 1977, travel advances totalling \$2,750 made to a member of the Commission in May and October 1976 had not been reimbursed to the advance account.

During our review of the accounts we also noted that 13 duplicate payments amounting to \$5,420 apparently had been made. These included an overpayment of \$3,500 for the graphic design work on the Final Report and a duplicate pay-

ment of \$380 for proofreading services. The overpayments were brought to the attention of a Ministry official for investigation.

In addition to the transactions already mentioned elsewhere in this memorandum, a number of instances were noted where purchases of services, equipment and supplies were negotiated apparently without reference to the Ministry's Purchasing Section. We feel that Royal Commissions should be required to adhere to the normal purchasing procedures of the Ministry so as to ensure observance of the policy on competitive purchasing.

Standing Public Accounts Committee

The Report of the Standing Public Accounts Committee dated July 10, 1975 recommended "that costs of Boards and Commissions be regulated and controlled and that budgets be struck and that specific regulations in regard to these Boards and Commissions be laid down by Management Board of Cabinet". On May 12, 1977 the Secretary, Management Board of Cabinet advised us as follows:

"A policy and guidelines relating to the administration of Royal Commission studies were approved by Management Board on April 26th, 1977. Some implementation details are currently being investigated, following which the policy will be issued.

"A policy relating to the appropriate degree of control of agencies, boards and commissions and the applicability of the Manual of Administration was reviewed by Management Board on May 2nd, 1977. The Chairman of Management Board is in the process of discussing the implications with his colleagues following which it is hoped to issue the policy guidelines and appropriate groupings of agencies.

"A policy dealing with the administrative arrangements (such as travel) for part-time members of agencies, boards and commissions has been prepared. This policy was approved by Management Board on February 10, 1976."

The foregoing comments were included in a memorandum dated September 30, 1977, the date of this Report. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

63. Unpaid Fines Imposed by Provincial Courts, Ministry of the Attorney General.

Further to comments contained in our 1975-76 Report (section 87) detailed records of unpaid amounts of Federal, Provincial and Municipal fines are maintained in each Provincial Court Office. A review of statistical records prepared by the Management Audit Branch and the monthly returns submitted by the various courts indicated that the unpaid fines had increased from a total of \$22,300,795 as at March 31, 1976 to a total of \$26,870,668 at March 31, 1977.

Following the prior audit the Ministry of the Attorney General completed an analysis of unpaid fines and made representation to the Ministry of Treasury, Economics and Intergovernmental Affairs for authority to write off a number of unpaid Provincial fines that were considered uncollectable. Three Orders in Council were subsequently received in the period under review to delete a total

of \$2,248,733 in unpaid Provincial fines from the records. For further reference to write off see section 102 of this Report.

The foregoing comments were included in our memorandum of August 22, 1977 to the Ministry. No reply had been received as at September 30, 1977, the date of this Report. We are, therefore, unable to present the Ministry's views in the matter.

64. Observations re Travel Expense Claims, Ministry of Colleges and Universities.

The Ministry has established unofficial guidelines to regulate the costs of meals for employees. We were advised that per diem charges of \$13 and \$15 for the 1975-76 and 1976-77 years respectively were considered to be reasonable for travel expense claim purposes. A review of a selected number of travel claims was made to determine adherence to the established guidelines. We found that in 337 daily meal claims submitted by Ministry staff that the guidelines had been exceeded in 57 instances, and that on occasion the charges made for two daily meals surpassed the total per diem standards that had been set.

The review also indicated that meal charges claimed by members of committees and councils tended to be greater than meal charges submitted by employees of the Ministry. An examination of 462 meal claims relating to these members revealed 141 instances where the meal charges were in excess of the Ministry per diem guidelines. We also noted that in 54 of these instances the costs claimed were for fewer than three meals.

Management Board of Cabinet issued a Guide to Travelling, Meal and Hospitality Expenditure for part-time members of Government Boards, Commissions, Committees and Agencies on February 10, 1976 which stated, under the caption "Basic Principle" that:

"Provided the amount is reasonable in the circumstances, members should be reimbursed for any necessarily incurred 'out-of-pocket' expenses which they may incur in the performance of their duties."

We felt that consideration should be given to applying the same guidelines to these claims that have been established for Ministry employees or, as an alternative, to establishing a specific set of standards for travel expense claims submitted by members of committees and councils. We also suggested that the instruments of appointment for such members should, in future, reflect the qualification for reimbursement of expenses expressed by Management Board of Cabinet as set out in the preceding paragraph.

The Ontario Manual of Administration, in dealing with employees' expenses, provides that travel claim forms for an employee below the rank and status of a Deputy Minister must be approved for payment by the employee's assigned manager or more senior official. The Manual further provides that unless the employee's headquarters are outside the province, travel beyond and outside the boundaries of the Province of Ontario must be approved by the Agency Head. We noted that the Ministry had waived these approval requirements for the Assistant Deputy Ministers, one Executive Director and one Director.

The preceding comments were included in our memorandum of May 6, 1977 to the Ministry. As at the date of this Report, September 30, 1977, we have no record of reply. We are, therefore, unable to present the Ministry's views on the matters raised.

65. Poor Administration, Ontario Career Action Program, Ministry of Colleges and Universities. As at November 30, 1976 approximately \$3,180,000 had been expended under the Ontario Career Action Program (OCAP). We completed an audit of the records pertaining to the program and our comments were as follows:

Introduction of Program

OCAP was introduced by the Premier of Ontario on August 27, 1975 to "provide a youth internship program within the Government and related agencies". The Premier's statement further defined the objective of the program as providing "a socially useful and relevant work experience to young people who emerge from our educational system", and the principal goal as "that of ensuring opportunities for those who want to work and thereby help themselves".

The program was not established by legislation.

Administrative Guidelines

The administrative guidelines for the program were enunciated in a general information paper issued on December 1, 1975 and are summarized as follows:

1. The program should select young people:
 - (a) between the ages of 16 and 24 inclusive,
 - (b) who have left the educational system,
 - (c) who are actively seeking employment, and
 - (d) who are registered with their local Canada Manpower Centre.
2. The program is designed to help develop marketable work experience for "that first job".
3. The program should provide training positions within Ontario Government ministries and agencies.
4. Trainees should receive a weekly stipend of \$100 for a maximum of 52 weeks, the funds to be provided by the Ministry of Colleges and Universities.

Allocation of Trainees to Ministries and Agencies

As previously mentioned, the Premier indicated that the training was to be provided "within the Government and related agencies". This requirement was also stipulated in the administrative guidelines. In seeking clarification we were informed by a Ministry official that the term "related agencies" had been interpreted as including agencies subject to Management Board policies, to the intent of Man-

agement Board policies, or to a Memorandum of Understanding approved by Management Board. A Memorandum of Understanding seeks, among other things, to define the relationships of the agency with its parent Ministry.

The general information paper stated that 1,050 young people would be accepted into the program. This numerical limitation was interpreted as the maximum number permitted in training at one time rather than the maximum number of enrolments accepted during the duration of the program. Enrolment in the program commenced on January 12, 1976. Up until November 30, 1976, 1,320 applicants had been accepted for training, of whom approximately 500 were still receiving stipends at the time of our review.

According to records maintained by the Ministry of Colleges and Universities, the distribution of trainees accepted by ministries and agencies as at November 30, 1976 was as follows:

	<i>Trainees</i>	<i>Per Cent</i>
Ministries	822	62.3
Colleges of Applied Arts and Technology; Universities	472	35.8
Other	26	1.9
	<u>1,320</u>	<u>100.0</u>

Upon acceptance for training, a Work Experience Agreement is signed by the applicant and by a representative of the ministry or agency. Examination of the Work Experience Agreements and associated time records for a number of trainees revealed that some trainees in all three categories had been assigned to organizations which, in our opinion, did not fall within the interpretation of the term "related agencies". Examples of these were:

Boards of Education	Resource Centre
Children's Aid Society	Adult Rehabilitation Centre Industries
Travel Associations	Public Hospital
Y.W.C.A. Branches	Boys and Girls Club
Social Planning Council	Canadian Football Hall of Fame
Group Homes	

Unrelated Agencies and Potential for Abuse

The number of trainees assigned to agencies which, we felt, were unrelated was not readily ascertainable from the records maintained. However, based on information assembled in the course of our review, we would estimate that approximately 5 to 10 per cent of trainees accepted have been so assigned. As the provincial government has no control over, or access to, the operation of these agencies, relevant expenditure of OCAP funds cannot be properly monitored. Potential for abuse is inherent in this type of arrangement.

As an illustration of our concern in this regard, during our examination we became aware of one unrelated agency which was utilizing OCAP stipends to subsidize its payroll costs. We discovered three instances where individuals,

employed by the agency at a specified annual rate of salary, were identified as OCAP trainees and in receipt of OCAP stipends from the Ministry of Colleges and Universities. The agency paid these employees only the difference between the rate of salary specified (e.g. \$7,200 per year) and the rate of stipend (i.e. \$5,200 per year) generated by OCAP. In our opinion arrangements of this nature are totally inconsistent with the purpose of the program and constitute an improper expenditure of OCAP funds.

Registration with Canada Manpower Centres

The administrative guidelines also stated that applicants must be registered with their local Canada Manpower Centres where application forms were available. The completed forms were to be returned to Canada Manpower counsellors for transmittal to the Ontario Government OCAP manager.

Not all of the original applications were on file at the OCAP Manager's Office. In addition, approximately one-third of the applications we reviewed did not bear a Canada Manpower Centre stamp or other evidence of registration at the Centres. We were informed by the OCAP Manager that unstamped applications had been received from Canada Manpower sources. Also, we determined that application forms had been made available to Colleges of Applied Arts and Technology and to others, and were thus transmitted to the OCAP Manager without reference to Canada Manpower.

Work Experience

The administrative guidelines stated that OCAP was designed to help the trainees develop marketable work experience for "that first job". Many of the applicants accepted for training indicated that they had worked before and listed some work experience. In some instances, the work experience was such as to make it appear that the applicant had already held "that first job" but wished experience in a job more commensurate with skills or ambitions. For example:

1. An applicant with four years teaching experience in elementary school was accepted as a trainee with a college.
2. An applicant with experience as a bank teller, secretary and registered nurse was accepted as a trainee with a college.
3. An applicant with grade 11 education and experience as a waitress, cashier and factory worker was accepted as a trainee at a Y.W.C.A. branch.
4. A university graduate who listed two years experience as a radio broadcaster and five months as a town planner was accepted as a trainee at the University of Toronto. His preferred occupation as stated on the application form was "U. of T. — Assistant Planner".

Space has not been provided on application forms for a date to be inserted by the applicant. On some applications the question "How long have you been unemployed?" had not been answered, indicating that the applicant may have been employed at the date of application. One apparent example involved a Work

Experience Agreement between Lakehead University and an applicant from Southern Ontario. This agreement had been signed by the latter on March 22, 1976 to be in force from August 16, 1976. The applicant, who had listed work experience as a registered nurse but had not indicated her current state of employment on the application form, commenced training on August 23, 1976. A tax deduction return signed on March 22, 1976 indicated income to date in 1976 as \$5,000.

In a few instances persons over age 24 have been accepted for training. It was explained that the Ontario Human Rights Commission had intimated that the program should not be restrictive as to age.

Record Preparation and Maintenance

The records of the two principally involved areas of the Ministry of Colleges and Universities — namely, the OCAP unit and the Payroll Section — have not been maintained in such a manner as to be reconcilable at any specific date during the course of the program. As at the date of our audit, procedures and duties concerned with accounting and record keeping for OCAP had not been promulgated by the Ministry.

Ministries and Agencies were asked to appoint training co-ordinators to be the OCAP Manager's contact. The OCAP Manager apparently did not always use this channel of communication and did not maintain a current list of the appointments.

As previously indicated, procedures require the completion of Work Experience Agreements between accepted applicants and Ministries. Ministries forward the agreements along with completed tax deduction forms (TD1's) to the OCAP Manager. All documents are then transmitted to the Payroll Section under cover of memoranda authorizing the payment of stipends to the listed trainees. The memoranda apparently have not been retained in the Payroll Section as none could be located during the course of audit. Our examination of the Work Experience Agreements revealed that many had been signed on behalf of Ministries either by the OCAP Manager or by other officials not recognized as being Ministry or Agency co-ordinators.

We also noted an instance of a Work Experience Agreement between a college and an applicant, which was to have been in force from May 3, 1976, had been amended to a start date of August 16 as "personal commitments" prevented her taking up the position until August. Because OCAP had reached full complement at that time, the applicant was not accepted on August 16 and, following representation, she was paid \$200 in lieu of notice not given in accordance with the terms of the Agreement.

Attendance records generally are forwarded directly to the Payroll Section by trainee supervisors on a biweekly basis. Examination of the time records for 235 trainees revealed that eighty-two records had not been signed by the trainee, nine had not been signed by the supervisor and on twelve the applicable period of attendance had not been entered. In four instances, time records were not found although payments had been made for full attendance for the four biweekly periods involved.

Each training program and trainee's progress is to be monitored by Ministry and Agency co-ordinators. The co-ordinators are to submit trainee evaluation reports at stated intervals. We were informed by the OCAP Manager that only about 60 per cent of the reports had been received and that, in order to obtain additional data, telephone surveys of trainees and supervisors had been initiated.

The procedures for the program further require that Cease Training Reports be completed by Ministry and Agency OCAP co-ordinators and forwarded to the OCAP Manager as soon as the trainees have left. However, from a selection of 128 known terminations, Cease Training Reports were found on file for only 80 trainees.

Achievement of Program Objectives

Implicit in the role of the participating Ministries and Agencies is the encouragement of OCAP trainees to seek employment in the private sector as soon as possible after the beginning of training. A preliminary evaluation of the program has been completed by the Ministry with the majority of the data based on samples of trainees who had left the program by May 16, 1976 and trainees who were still in the program at that time. Based on the responses of 127 trainees who had left by May 16, 1976, the survey found that 48 per cent had left because they had found permanent employment.

The survey also found that 70 per cent of the "graduates" were working at the time of the interview and one-third of these were working in the public sector. Only 3 per cent had returned to school while 27 per cent were not employed. The evaluation further determined that a large number of trainees still in the program were not making any effort to find employment. In a letter sent out in August 1976 the OCAP Manager brought this point to the attention of trainees still enrolled in the program.

A further evaluation of OCAP based on the responses of trainees, "graduates", supervisors and unselected applicants was in progress at the time of our audit (November 1976).

Recommendations

The trainees enrolled during 1976 will have been phased out by early 1977. It is understood that the program may be regenerated in future years and, with that possibility in mind, the following comments were submitted for consideration.

1. In view of the magnitude of the expenditure involved, we recommend that the program be established by Act and Regulations. Such legislation would make the details available for public information. The regulations made under the statutes should deal in specific and consistent terms with such matters as eligibility, training positions and manner of payment.
2. If training positions are to be assigned to Ministries and "related agencies", the latter term should be clearly defined. As noted, trainees have been assigned to organizations whose relationship to Ministries was not readily apparent. The potential for abuse has been illustrated.

3. Since it is consistent with the objectives of the program that applicants be actively seeking employment, it is recommended that registration with Canada Manpower Centres be requisite. We suggest that parameters be firmly established regarding prior work experience and length of periods that applicants have been out of the educational system and/or unemployed. Application forms should not be accepted unless complete and the date of registration with Canada Manpower indicated thereon.
4. We recommend that the communication channels for OCAP be clearly established and maintained. The functions of Ministry co-ordinators and supervisors should be defined so as to facilitate the effective administration of the program by the Ministry of Colleges and Universities. The flow of documentation between the OCAP unit and the Payroll Section should be controlled and the records of both maintained in a manner capable of reconciliation. Procedures and duties concerned with record keeping and accounting should be promulgated.
5. We were informed that experience to date has indicated that the best results have been achieved within the first six months of an applicant's training. We concur with the Ministry's ongoing evaluation of a proposal to reduce the maximum training period to six months.

The Deputy Minister responded to our comments and recommendations on March 22, 1977:

General

"While there have been some deviations from accepted procedures in this the first year of the administration of the program, I feel that we have done reasonably well, considering that we implemented the program at very short notice. Furthermore, the payroll unit was heavily engaged, for a good part of this fiscal year, in the process of implementing the Integrated Payroll and Personnel System (IPPEBS), and this resulted in a shortfall in the supervision of the OCAP payroll function.

"Indeed, we are satisfied with our performance and, with updated procedures, we feel certain that there will be a higher level of efficiency in 1977-78. I should add that your observations have also contributed to the upgrading of procedures."

Recommendations

1. *"I agree in principle with your recommendation. However, while we will operate the program in fiscal year 1977-78, we do not know whether the program will be in existence beyond this period. In the circumstances, I question the desirability of developing and passing the legislation referred to in your recommendation. But, if in the course of time we become aware that the program will run for a reasonable number of years, legislation will be considered.*
2. *"This recommendation is well taken. In future, the OCAP Manager, in consultation with the participating Ministries' co-ordinators, will*

ensure that trainees under this part of the program will be assigned only to Ministries and related agencies.

3. *"I accept your recommendation regarding the use of Canada Man-power Centres. Also, eligibility criteria for participants have been developed and are documented in a booklet entitled 'Information for Supervisors'.*
4. *"Regarding this recommendation, we have updated the procedures relating to the functions of Ministry co-ordinators and supervisors. These also form part of the booklet referred to above. In addition, administrative and accounting procedures have been revised and implemented with a view of ensuring tighter controls and better record-keeping.*
5. *"I have noted your comment on our decision to reduce the maximum training period to six months."*

66. Agreements Recommended re Purchase of Rehabilitation Service Arrangements, Ministry of Community and Social Services. During the fiscal year 1975-76 the Ministry paid \$328,347 to an organization for the training of persons under The Vocational Rehabilitation Services Act. No agreement between the Ministry and the organization could be found covering this arrangement. We were unable, therefore, to verify that the expenditure was for services in accordance with the Act. We recommended that the purchase of rehabilitation services from outside organizations be based on formal agreements between the Ministry and each organization, and include details of the services to be provided and the rates of charges therefor.

The Ministry subsequently commented as follows:

"The Ministry shares your concern that services purchased should be the subject of formal agreements and further that these be supported by measures to determine and evaluate using 'value for money' concepts."

67. Unreconciled Fee Revenue, Ministry of Consumer and Commercial Relations. The processing of applications for registration under The Consumer Protection Act, The Paperback and Periodical Distributors Act, The Real Estate and Business Brokers Act and The Motor Vehicle Dealers Act was converted from a manual operation to a computerized system at various dates in the period from December 1975 to March 1976. Applications for registration under The Travel Industry Act, 1974, however, were processed through the computerized system from the date that the Act came into force.

Revenue received from registrations under these Acts, which totalled in excess of \$980,000 in 1975-76, was manually reconciled with the numbers of related certificates issued up to the end of the month preceding the implementation of the new procedures. The design of the computerized system made provision for a reconciliation program to balance the revenue received with the number of certificates issued subsequent to the conversion dates. This program was found

to be inoperative, however, and was later set aside. As a consequence, the revenue received under these Acts has not been reconciled since the manual operation was discontinued. Ministry officials stated that a revised reconciliation program would be written but indicated that no attempt would be made to reconcile the revenue that was received under these Acts prior to the implementation of the new reconciliation program.

Applications for registration under the above-noted Acts are received in the Financial Management Branch, balanced with the accompanying remittances, assembled into batches according to Act, and forwarded to the Business Practices Division for review and approval. After approval in this latter Division, the application forms are brought together in new batch groupings and forwarded for keypunching and the subsequent issue of certificates. Certificates currently in use are standard pre-numbered forms, applicable to all Acts, which indicate, among other things, the name of the registrant, the name of the Act under which it was issued, the Business Practices Division batch number, the effective date of the certificate and the relevant fees paid. Copies of these certificates are filed in certificate number order as they are issued.

Since the certificate copies on file are not referenced to the licence number of the registrant or to the original receipt of registration fees and, in the absence of any reconciliation records or procedures subsequent to the dates of conversion, it was not possible during the audit to ensure that the proper fees had been received for each certificate issued or to form any positive conclusion as to the accuracy of the reported revenue.

The Ministry responded to our comments on February 14, 1977:

"The new reconciliation program referred to in the Provincial Auditor's findings and recommendations is now fully operational. All monies received and certificates produced for all Acts that are within the computer system have been recorded into the new reconciliation program — The Travel Industry Act since July 1975, Motor Vehicles and Consumer Protection since January 1976 and Real Estate since May 1976. All acts were reconciled manually up to their respective conversion dates to the new system.

"Most of the monies received and certificates issued for these Acts have been reconciled by the new reconciliation system. Some are still pending, but certificates are still being issued, and will be issued for quite sometime to come, using money that is already in the system, the reconciliation process, thus, is ongoing.

"The qualification made by us to the reconciliation process is: if monies received or certificates issued related to monies received prior to November 1, 1976 are not reconciled automatically by the new reconciliation system, no attempt will be made to reconcile them manually. It is not known as of now what the actual amounts involved are, since certificates are continuously being issued that relate to monies received prior to November 1, 1976. From November 1, 1976 on, everything will be reconciled completely.

"The new system will provide a method of recording the actual certificate number on print out, that related to fees received. There are a number of certificates being issued manually due to the original design of the existing system. One of our present priorities is to eliminate or at least keep to a minimum manually produced certificates. In order to capture the certificate numbers of manually produced certificates requires an additional key punch process. To date, this has not been carried out, but is planned for the immediate future on a continuing basis."

68. Lack of Formal Authority for Arrangements under Temporary Absence Program, Ministry of Correctional Services. Certain inmates of correctional institutions, on being granted temporary absence for purposes of their rehabilitation, are provided with living accommodation by private organizations referred to by the Ministry as Community Resource Centres, Community Resource Facility, Group Homes and Foster Homes. These organizations are remunerated in various ways and at varying rates for the services they provide. The more important aspects of the relationship between the Ministry and these organizations should be set out formally. For example:

- (a) a definition of each type of organization;
- (b) method of designation of each;
- (c) standard methods of remunerating the organizations;
- (d) responsibilities of each organization in the conduct of its operations.

Some of the above with respect to Foster Homes have already been covered by The Training Schools Act. We therefore recommended that consideration be given to including at least the remaining aspects in a regulation under The Ministry of Correctional Services Act or other appropriate Act.

The following comments were received from the Ministry on May 2, 1977:

"In connection with the above community based programs, the Auditor recommended that the more important aspects of the relationship between the Ministry and these organizations be set out formally. The Training Schools Act appears to provide adequately for the operation of Group Homes and Foster Homes; in any event, these services may be the subject of further study in light of forthcoming relocation of our Juvenile Division to the Ministry of Community and Social Services."

"The community based adult programs admittedly are not as well defined. The Ministry currently operates the Community Resource Centres and Community Resource facility under the umbrella of the Temporary Absence Program. This program is covered under Section 18 of The Ministry of Correctional Services Act, and Section 11 of Regulation 166 made under The Ministry of Correctional Services Act. Provision is made for an inmate's temporary absence from a correctional institution for medical or humanitarian reasons, or to assist him in his rehabilitation. Authorization for such absence is on such terms and conditions as may be specified."

"It is agreed that the methods of remunerating the community-based facilities, and the documenting of the responsibilities of each organization in the conduct of its operations should be formally set out, and action will be initiated in this area."

69. Observations re Inventories of Saleable Merchandise at Historical Sites, Ministry of Culture and Recreation. The Heritage Conservation Division of the Ministry administers the historical sites known as Old Fort William located in Thunder Bay and the Huronia Historical Parks which consist of Sainte Marie among the Hurons in Midland and the Historical Naval and Military Establishments in Penetanguishene. It is understood that the operations and inventories at these sites have not been subject to detailed verification procedures by officials from the main office since the administration of the sites was transferred to the Ministry from the Ministry of Natural Resources.

During our review we noted that the stock of saleable merchandise on hand at the Old Fort William site, amounting to approximately \$33,000 at December 31, 1976, represented 139 per cent of the total sales for the 1976 season. Similarly, we observed that the inventory of souvenirs at the Sainte Marie among the Hurons site, totalling approximately \$82,500 at November 8, 1976, amounted to 324 per cent of the sales at that location during the same season. We suggested that the Ministry review the necessity for maintaining such large stocks of merchandise at these locations. This review should also seek to determine those articles that are over stocked or for which there is little or no demand.

Formal perpetual inventory records have not been established for the stocks of saleable merchandise at the Sainte Marie among the Hurons historical site. The inventory record presently in use at this location consists of a loose leaf binder which reflects, for each stock item, the number of articles purchased, the number sold and the number that were issued without charge. We felt that this record, as it is presently maintained, does not accurately reflect the inventory transactions that take place. A physical count of the stock on hand at November 8, 1976 was taken by the staff and compared with the quantitative inventory records at that date. This comparison indicated an apparent shortage of 2,317 individual items of inventory stock with a retail value of \$5,357 and an apparent overage of 14,117 other items, including over 12,000 post cards, with a total sales value of \$3,476.

We recommended that perpetual inventory records at cost be established for the bulk saleable stock at the Sainte Marie among the Hurons site and that a control account, based on selling prices, be instituted for merchandise transferred to the immediate sales area. We also suggested that the internal audit section of the Ministry review the operations and financial records at each of the historical sites at periodic intervals during and at the end of each tourist season.

On September 7, 1977, the Ministry wrote to us as follows:

"The comments concerning large inventories on hand are valid and are caused by the ordering of special merchandise, specific to the Fort,

which requires a minimum quantity to be purchased. The Management are aware of this situation and will keep it under control."

and

"Commencing July 1, 1977 the 'bulk' and 'retail' inventories of merchandise for sale will be accounted for in the same manner as for Old Fort William, i.e. perpetual inventory records for bulk stock, and retail inventory method for sales area.

"New purchases will be tested first as to sales potential, prior to large purchases being made; it is expected that 'overstocking' will be reduced."

70. Review of Proceeds Received, Ontario Olympic Lottery Sports Fund, Ministry of Culture and Recreation. The Olympic Lottery Sports Fund was established by Order in Council dated November 28, 1973 for the purpose of receiving deposits of the Ontario portion of the proceeds from the sale of lottery tickets by the Olympic Lottery of Canada Corporation. The agreement between the Corporation and Her Majesty in Right of Ontario provided for 5 per cent of the face value of all tickets sold in Ontario to be paid into a trust account to be used for the development of amateur sport in Ontario. This trust account, or Fund, is administered by the Minister of Culture and Recreation.

During 1976-77 the Fund received \$2,911,195, representing the Province's share of the proceeds from the sale of tickets for the eighth and ninth (final) lottery draw. During the same period \$3,090,517 was paid out of the Fund for the development of amateur sport in Ontario. As at March 31, 1977 the Fund had accumulated receipts and disbursements of approximately \$10.7 million and \$6.8 million respectively, leaving a balance in the Fund of over \$3.8 million.

In accordance with the provisions of agreement between the Province of Ontario and the Olympic Lottery of Canada Corporation, a review was made during the 1975-76 fiscal year of the financial statements and records maintained by the Corporation in respect of the Olympic Lottery tickets offered for sale in the first six Olympic Lottery draws. (See section 97 of my 1975-76 Report). A similar review was conducted during the 1976-77 fiscal year in respect of the seventh, eighth and ninth (final) Olympic Lottery draws. These draws took place in the period January 25, 1976 through August 29, 1976, with intervals of approximately three months between each draw.

Actual lottery ticket sales for these final three draws totalled 20,845,989, of which 8,680,977, or 41.6 per cent, were sold in Ontario. Sale of lottery tickets in the Province of Quebec equalled 39.4 per cent of total sales, with the remaining 19 per cent being accounted for by sales in other provinces and a few international sales by mail and to Canadian Armed Forces. Under the terms of agreement, the Province of Ontario was entitled to an amount equal to 5 per cent of the face value of tickets sold in Ontario. Payments to Ontario in respect of these sales totalled \$4,340,489 for the seventh through ninth lottery draws.

The Province of Ontario's agreement with the Olympic Lottery of Canada Corporation expired with the completion of the ninth Lottery draw held on

August 29, 1976. Aggregate statistics for the nine lottery draws are presented for information purposes:

Total tickets issued	53,000,000	
Total tickets unsold and cancelled	2,256,304	
Total tickets sold	50,743,696	
Distribution of total tickets sold:		
Ontario	21,403,158	42.18%
Quebec	21,095,502	41.57%
Other provinces, international and Canadian		
Armed Forces	8,245,036	16.25%
	50,743,696	100.00%
Value of total tickets sold (50,743,696 x \$10)	\$507,436,960	
Ontario's share per agreement (21,403,158 x 50c)	\$ 10,701,579	

71. Deviations from Accepted Practice re Contractual Agreements, Ministry of Education. A private firm was engaged by the Ministry to perform an analysis of public opinion in connection with the strike of certain school teachers in Metropolitan Toronto. It was understood that work on this project commenced in late 1975. The firm submitted invoices dated January 14 and May 10, 1976 totalling \$30,000 for its services and these were subsequently paid by the Ministry. However, a contract between the firm and the Ministry was not agreed to by both parties until March 25, 1976. We also noted that tenders were not requested from any firm other than the one selected and that specific Management Board approval for the project was not obtained.

A Foundation was retained under an agreement to evaluate improved insulation in public school buildings in the City of Cambridge for a sum not to exceed \$90,500. The amount paid on this contract to September 30, 1976 totalled \$121,626. We could find no approval for payment in excess of the contracted amount.

A contract for research services involving revision of Elementary and Secondary Enrolment and Teacher Supply and Demand Projections was signed in August 1976 for \$83,285. We were advised that other companies had not been invited to submit tenders or submissions on the work to be performed as this was an existing project and renewed every year. However, prior approval by Management Board for exemption from tendering had not been obtained.

On February 9, 1977 the Ministry replied to our comments as follows:

"At the time of engagement of the private firm to perform an analysis of public opinion, we had a legal opinion that the type of services were not such as to require application to Management Board or to fall within the ambit of the Manual of Administration rules on engagement of consultants.

"In view of your comments, we are taking steps to adhere to the rules in any future engagements of this type.

"With regard to the payments to the Foundation, the authority for the entire Energy Management Program was contained in a Record of Approval dated May 26, 1976. Using this authority, the Project Leader

issued a letter to the Foundation authorizing the continuance of the Project on specified terms which were complied with and at no time exceeded the approved limit of \$225,000.

"In effecting the contract for research services, the Branch relied on the Manual of Administration at Page 50-9-2 which reads:—

'Multi-year studies are those which are intended to extend over a number of years or a number of phases. In general, given a satisfactory annual or phase-to-phase review, it would be expected that the same research-er(s) would continue the work without retendering and/or further Management Board approval.

'Such studies are anticipated under the policy and are permissible provided that early termination is appropriately provided for in the contract in the event of poor performance or lack of relevance of results.'

"The original contract was entered into before the introduction of the stricter rules on tendering, and was taken over by this Ministry from the Ontario Institute for Studies in Education at the time of the formation of the Research and Planning Branch in 1972."

72. Prepayment into the Teachers' Superannuation Fund, Ministry of Education.

Based upon the actuarial report dated November 13, 1974, an annual payment of approximately \$41,610,600 is to be made into the Teachers' Superannuation Fund for unfunded liability purposes each year through 1989. The annual payment requirement consists of an interest factor of \$19,696,900 and an amortization factor of \$21,913,700. The 1976-77 Expenditure Estimates (Vote 2903-4) made provision for the funds required and the amounts of \$19,696,900 and \$21,913,700 were paid into the Fund in January 1977.

However, in March 1977 a further amount of \$36,913,700 was paid into the Fund under the authority of a Management Board Order dated March 15, 1977. This payment was described as the advance processing of 1977-78 payments due to the Fund, \$21,913,700 in respect of the 1977-78 amortization requirement and \$15,000,000 towards the 1977-78 interest requirement of \$19,696,900. We also noted that the 1977-78 Expenditure Estimates (Vote 3003-4) made provision for unfunded liability payments of only \$4,697,000. This amount represents the approximate difference between \$19,696,900, the actuarially required interest payment for 1977-78, and \$15,000,000, the advance interest payment made in 1976-77.

Simply stated, by utilizing the Management Board Order process, the Ministry of Education effectively transferred \$36,913,700 of expenditure from the 1977-78 fiscal year to the 1976-77 fiscal year. We questioned the purpose and propriety of this action.

On July 13, 1977 the Deputy Minister of Education replied as follows:

"Deficiency payments into the Fund are made pursuant to Section 8

of the Teachers' Superannuation Act, based upon the actuarial report provided for in Section 5(3) of that Act. The amortization of the residual unfunded liability and payment of interest on the initial unfunded liability are required to be made on 31st December and the amounts due for 1976-77 totalled \$41,610,600 were paid in January 1977.

"Of the amounts normally due in December 1977, a payment of \$36,913,700 was made in March 1977 as set out in your letter. This payment was made pursuant to a minute of the Policy and Priorities Board of Cabinet dated March 8, 1977, a minute of Cabinet dated March 9th and a minute of Management Board dated March 15th. . . ."

For further reference to the Teachers' Superannuation Fund see section 99.

73. Regulations Recommended under The Education Act, 1974, Ministry of Education. The Education Act, 1974 provides the Minister of Education with a number of powers including:

- (a) the determination of the conditions for the granting of scholarships and awards to pupils;
- (b) the payment out of funds appropriated by the Legislature for:
 - (i) the assistance or advancement of programs, activities or projects for students involving cultural and educational exchange with other provinces and countries, provincial or interprovincial travel, school twinning and related assistance, leadership training, a summer employment, and
 - (ii) the educational advancement by means of programs, activities or projects provided for visiting educational officials, designed to further the professional development of teachers and supervisory officers including exchange of such personnel, or considered by the Minister to be valuable in advancing a particular area of study.

We found during our review that the method of calculation and the basis of qualification were not specified in any regulation made under The Education Act, 1974 for the following transfer payments:

Ontario Scholarships,
 Secondary School Bursaries,
 Educational Advancement of Native Students,
 Programs of Educational Exchange,
 Ontario Young Travellers.

It is our opinion that such matters as eligibility and manner of payment for the above transfer payments should be specified in detail in regulations under The Education Act, 1974 so that they would become public information.

In response to this expression of opinion, the Ministry advised that:

"We have carefully considered your reservations regarding the eligibility and manner of payment of the following transfer payments:

*Ontario Scholarships,
Secondary School Bursaries,
Educational Advancement of Native Students,
Programs of Educational Exchange,
Ontario Young Travellers.*

"The powers of the Minister are contained in clauses q and u of subsection 1 of section 8 of The Education Act, 1974. Pursuant to subsection 2 of section 8, the activities of the Minister in exercising those powers are specifically made not to be regulations within the meaning of The Regulations Act. The purpose of this subsection is clearly to provide that no regulations are required. To some extent the conditions of eligibility and the manner of payment are set out in brochures published by the Minister, and recipients are otherwise advised of such matters directly."

74. Unusual Claim for Relocation Expense, Ministry of Education. The job location of a member of the Ministry's staff was transferred from Hamilton to Toronto on September 1, 1968. Approval was given on October 6, 1968 to pay 100 per cent of the personal moving expenses of this employee. However, the employee did not move to Toronto until May 28, 1976. Approval was again given on February 24, 1976 to pay the personal moving expenses of this employee with the statement that the prior approval had not been acted upon. Claims totalling \$9,168 for the move were paid by the Ministry on July 27 and August 4, 1976.

A policy has now been established by the Ministry to require each Record of Approval for the payment of an employee's moving expenses to be acted upon within twelve months of the date of transfer.

75. Board Members' Fees and Expenses, Ministry of the Environment. In reviewing the Orders in Council appointing the members of the various boards and committees of the Ministry it was noted that the members are paid in various ways. Payments may be at a daily rate or at a daily rate plus an hourly rate for the member's time. The member's time is for attending board or committee meetings but may also include time otherwise engaged in the work of the board or committee. In the case of one board, the member's time includes travel time. We noted that the Policies on Remuneration and Expenses for Part-time Members of Agencies, Boards and Commissions issued by Management Board of Cabinet on February 25, 1976 exclude travel time from per diem fees.

During our review of travelling expenses it was noted that meal costs of certain members of the Environmental Assessment Board exceeded the daily rates as prescribed in the Ministry guidelines and reached as high as \$25 per day. Although these meal costs were approved by the Chairman of the Environmental Assessment Board, their regularity appeared to contradict the purpose of the Ministry's guidelines.

On August 22, 1977 the Ministry replied as follows:

"The Orders-in-Council from Management Board of Cabinet are the accepted authority on which payments are made for per diem fees. In

the case of the Environmental Assessment Board, travel time was allowed as approved on Order-in-Council #1593/76 dated June 1976. It should be noted that under the new Order-in-Council #394/77 dated February 1977 for this board, travel time is not authorized for payment."

and

"The Board members have all been asked to exercise restraint in their travelling expenses. Judging from the members' comments regarding meal costs, we get the clear impression that most of them feel the guidelines do not reflect the current actual meal costs in an eating establishment appropriate for the position to which they have been appointed.

"Board members have been made aware of your comments and asked to observe the Ministry guidelines wherever possible. Ministry of the Environment meal cost guidelines are lower than those for other ministries and our established procedures permit senior staff to approve higher costs if receipts are attached."

76. Discrepancies in Volume 3 of 1975-76 Public Accounts, Ministry of the Environment. The Ministry produces annually a detailed listing of expenditures to be used in preparing Volume 3 of the Public Accounts. A comparison of this listing with the details in Volume 3 of the Public Accounts, 1975-76 revealed the following:

1. In the Public Accounts the same total amount is shown for Transportation and Communication as for Travel Expenses. The amount for Travel Expenses is therefore in error since it includes such items as telephone and telegraph and these are shown under Other Payments.
2. Items described as Payments to the Treasurer of Ontario and Other Benefits in the Employee Benefits Section of the Public Accounts could not be agreed to the detailed listing.
3. Payments to certain suppliers shown under Other Payments did not agree with the detailed listing.

The Ministry has since written to us to advise:

- "1. There was some confusion over terminology that has now been clarified and it is now clear to us that travel expenses are only part of transportation and communications.*
- "2. . . . we did experience some difficulties with our computerized financial information system in 1975. Major differences were corrected but staff and time constraints made it impossible to correct all of the smaller amounts.*
- "3. Corrections to the detailed listings were made to reflect actual amounts paid. One of the reasons for these changes is that some suppliers operate under more than one name and the amounts paid under the different names are consolidated for the Public Accounts."*

77. Improved Procedures Recommended re Provincial Sewage Works Project, Ministry of the Environment. We commented in our 1975-76 Report (section 103) that the Ministry had appointed a company to act as its agent in the negotiation and acquisition of a large number of properties and easements for the construction of the York/Durham Provincial Sewage Works Projects. As at December 31, 1976 there was no written agreement made between the company and the Crown regarding a trust account funded by the Ministry and utilized by the company for purchasing operations.

An advance payment of \$300,000 was made on November 15, 1976 representing funds required for expenditures to March 31, 1977, although the response to the prior audit memorandum mentioned that cheques would be requisitioned for property purchases only on an as needed basis. A balance of \$292,791 remained in the trust account at November 30, 1976.

The Ministry's reply to the previous audit memorandum stated, "The recording of payments in the Public Accounts under the name of our agent rather than under the ultimate recipient has been simply a matter of past practice. However, with effect from 1975-76 payments will be recorded in the Public Accounts in the manner you suggest". We noted that this change had not taken place, as the Public Accounts 1975-76 Volume 3 shows payments totalling \$1,662,699 in the name of this agent.

On September 30, 1977 the Ministry responded as follows:

"Although our response to the prior year audit indicated that cheques would be issued on an as needed basis, it was anticipated that the Ministry of Government Services would take over the operations with the agent under a formal agreement which states that individual cheques would be issued for each property, for which M.G.S. has established a special warrant account. This agreement was postponed several times during fiscal year 1976/77 and it will probably be the fall of 1977 before it is executed.

"To handle transactions on an as needed basis without undue pressures on construction deadlines requires an accountable warrant system which we felt was not required due to the pending agreement. As the execution date was extended from time to time, it was felt that periodic payments of funds into a trust account would avoid large sums of money remaining at the year-end, as well as leaving large amounts unspent in the trust account, while avoiding delays in the construction program. The payments into the trust account were based on lists of property closings for which funds would be required in the short term. The amount in the trust account was \$2,120.00, representing unallocated funds at March 31, 1977.

"The payments in the 1975-76 Public Accounts were obtained from a computerized vendor listing which inadvertently recorded the agent as recipient for Public Accounts purposes. However, similar payments are reported correctly for 1976-77."

78. Non-Recovery of Cost of Electrical Power Supplied to Federally-owned Airport, Ministry of Government Services. The Ministry has provided electrical power to a Federally-owned airport in Northern Ontario since July 1, 1975. No agreement was executed, however, to establish the rates to be levied for this service or to indicate the organization or organizations responsible for payment of the charges incurred. Two invoices, in a total amount of \$20,771, were subsequently issued to the Department of Transport (Canada) in April 1976 with respect to the value of electrical power provided since July 1, 1975. These invoices were later cancelled when the Department of Transport (Canada) advised that the airport was operated and managed by a commercial organization under a lease arrangement and suggested that the charges should more properly be directed to this company and to other users on the site.

We understood that electrical power was still being provided to the airport although responsibility for the charges has not been established. Power agreements should be drawn up and executed with the users concerned without delay to permit charges to be invoiced and recovered.

On April 20, 1977 the Ministry commented as follows:

"The Ministry of Government Services is not normally called upon to provide electrical power to outside-Government customers. Unfortunately, this airport electric supply situation has been complicated as well as unique, and we have had to seek Cabinet direction on two occasions. The most recent direction has clarified the situation and has enabled us to submit billings up to February 28, 1977. We should also now be able to negotiate agreements for the future supply of electric power."

79. Overdrawn Balances in Publications Deposit Trust Account, Ministry of Government Services. A trial balance of the Publications Deposit Trust Account subsidiary records was taken as at July 31, 1976 and reconciled to a projected control account balance of \$53,140 at that date. We noted that of the approximately 2,430 individual deposit accounts contained in the subsidiary records at July 31, 1976, 242 balances with a combined total of \$19,848 were in an overdrawn position. A subsequent review of these balances indicated that only 56 accounts totalling \$7,197 had been settled at November 26, 1976.

A number of the overdrawn accounts have been outstanding for an extended period of time. As an illustration, one such account which was opened in September 1974 with a \$10 deposit has now reached an overdrawn position of \$152. Ten shipments of publications have been made on this account to November 26, 1976 but no further payments have been received from the depositor.

A revised procedure was introduced on July 1, 1976 whereby orders placed by Publications Deposit Trust Account customers would be processed as received without any check being made on the current account balances on deposit with the Ministry. At the same time arrangements were made to forward a "statement of account" to each customer at the end of every month to indicate the deposit account transactions for the period and the balance of funds on deposit at the month end.

We suggested that it should be the customers' responsibility to ensure that sufficient funds are maintained on deposit and that the mailing of monthly statements will add to the cost of providing the publication service. We also suggested that, when a customer's account is not replenished as required, the processing of further orders should be withheld until sufficient funds have been received to settle the outstanding orders.

The subsidiary records at July 31, 1976 also included 612 accounts with credit balances totalling \$9,934 which have remained inactive for periods of from one to four years. In these cases the Ministry should ascertain if the deposit accounts are still required.

The Ministry replied to our comments on April 20, 1977:

"The volume of publications transactions has increased considerably and the financial systems to control the increased volume, required extensive modification.

"The new Ministry accounts receivable system will produce monthly statements for each customer, a copy of which will be provided to the Publications Centre. This system will enable Finance Branch and the Publications Centre to exercise a continuing review and better control of customers' accounts.

"We are also considering simplification of the processing of small transactions as a cost-saving measure.

"With respect to inactive accounts, we have initiated a procedure whereby inactive accounts will be circularized annually."

80. Prepayment into the Public Service Superannuation Fund, Ministry of Government Services. In section 72 of this Report we noted that, through utilization of the Management Board Order process, substantial expenditure in respect of the unfunded liability of the Teachers' Superannuation Fund had been effectively transferred from the 1977-78 fiscal year to the 1976-77 fiscal year. A similar situation was evident with regard to the unfunded liability of the Public Service Superannuation Fund.

In the case of the Public Service Superannuation Fund an amount of \$21,598,000, representing the actuarially determined interest and amortization requirement for 1977-78 was paid into the Fund in 1976-77. This payment was made by the Ministry of Government Services utilizing funds authorized by Management Board Order dated March 22, 1977. Again, substantial expenditure was effectively transferred from one fiscal year to another and we questioned the purpose of this action.

On August 5, 1977 the Deputy Minister of Government Services wrote to us as follows:

"While the 'Conclusions' in respect of deficiency payments which are contained in Part VII of the Actuarial Report are summarized under the heading 'Summary of Recommendations' in Part I of that report, they

describe minimum payments required under *The Pension Benefits Act*. Since the objective of that legislation is to avoid or reduce a deficiency in the Fund, the actuaries' 'recommendations' were intended to inform the Board (and the Government) of the minimum obligation. They merely assumed that the Government, as the employer, would wish to limit its payments to that level. A faster reduction of the deficiency is desirable from an actuarial point of view.

"Secondly, while the Actuarial Report is properly addressed to the Chairman of the Public Service Superannuation Board, the financial and budgetary policy of the employer is the responsibility of the Treasurer and the Management Board of Cabinet. I believe it is my Ministry's responsibility to ensure that the Government is aware of its minimum obligations under *The Pension Benefits Act* in respect of the Public Service Superannuation Fund, but we cannot advise the Treasurer on the management of Provincial funds and long term indebtedness."

81. Questionable Purchase of Hospital Property, Ministry of Government Services. Miscellaneous revenue for the fiscal year ended March 31, 1976 included an amount of \$101,155 that was received with respect to interest earned on the price of a hospital property in Northern Ontario. This property was purchased by the then Department of Public Works on behalf of the Ministry of Health. The purchase agreement for the property was signed on November 28, 1967 and provided that, after three years from the date of acceptance, the full price of \$960,000, or any part thereof, would be paid when required by the vendor. It further provided that the vendor would pay interest at 6 per cent on all moneys received until vacant possession was given to the property.

Although the Ministry of Health had intimated in 1972 that the property might no longer be required for the intended purpose, title to the property was conveyed to the Crown on February 26, 1974. At that time the purchase price was paid in full. Vacant possession was obtained on November 30, 1975, and the interest on funds advanced was calculated from the date of conveyance to the date of vacant possession.

We ascertained that this hospital property has remained vacant since November 30, 1975 apparently because the building represents a special purpose facility for which there is a very limited market. Ministry correspondence further indicated that the annual maintenance cost for this hospital property amounted to approximately \$69,000.

The following comments were received from the Ministry on April 20, 1977:

"The program requirements of the Ministry of Health changed between the time this Ministry entered into the purchase agreement to acquire the hospital and the date of vacant possession. However, the Government was still obligated to complete the transaction.

"Studies have been carried out to consider alternative Government uses, and a recommendation has now been made to dispose of the property."

82. Apparent Shortage in Laundry and Linen Inventory, Queen Street Mental Health Centre, Ministry of Health. The Regional Laundry and Linen Service at the Queen Street Mental Health Centre provides laundering services for the Centre, for a number of other provincially administered facilities and for one public hospital. The linen supplies such as towels, bedding, etc. used in this operation are the property of the Queen Street Mental Health Centre.

An informal type of hand written perpetual inventory record is maintained in the laundry facility which indicates the total quantities of the various type of linen supplies which have been put into circulation throughout the entire laundry operation. This record reflects the accumulated stocks of supplies requisitioned from the main stores area and the quantities of linens which have been discarded or destroyed.

A complete physical inventory of linen in the laundry facility and in the hands of the user organizations was taken by the respective staff members on March 24, 1977. This inventory indicated that an apparent substantial shortage of linen supplies had occurred since the previous physical inventory count at March 31, 1974. The following summary, as prepared by the Manager of the Regional Laundry and Linen Service, provides details of the physical quantities of linen on hand as at March 24, 1977, and the laundry facility inventory records at that date as well as an analysis of the apparent stock shortages.

	<i>Physical Inventory March 24, 1977</i>	<i>Inventory Records March 24, 1977</i>	<i>Apparent Stock Shortage</i>
Sheets	14,037	20,484	6,447
Draw Sheets	5,000	7,009	2,009
Bed Spreads	5,034	10,310	5,276
Pillow Cases	8,193	18,687	10,494
Hand Towels	5,464	21,761	16,297
Bath Towels	10,076	31,442	21,366
Kitchen Towels	4,112	18,371	14,259
Face Cloths	3,511	32,048	28,537
Dish Cloths	209	9,106	8,897
Blankets	3,247	3,261	14
Flannel Sheets	294	517	223
Laundry Bags	2,890	4,594	1,704
Terry Hand Towels	1,902	5,698	3,796

The loss of linen, as shown above, was calculated by the Manager to total in excess of \$118,800 on the basis of prices in effect during the 1974 year. We recommended that a review be made of the laundry operation to determine the factors contributing to this apparent shortage, and to ascertain if a stock loss of this magnitude is within the acceptable limits for similar laundry service operations in the commercial sector.

The following suggestions were made with respect to the Regional Laundry and Linen Service:

1. A more formal and permanent type of perpetual inventory record be established for stocks of linen in circulation within the laundry operation.

2. Physical counts of linen supplies in use be taken more frequently and balanced with the inventory records.
3. All items of linen stock bear "Province of Ontario" or "Queen Street Mental Health Centre" identification markings legibly imprinted on the material.
4. Consideration be given to establishing a basic linen supply requirement for each user organization and thenceforth issuing one article of clean linen for each similar soiled article returned for laundering, or to the design of alternative procedures that would provide a satisfactory control over the quantities of linen in use.

The Ministry responded to our suggestions as follows:

"A more formal and permanent type of perpetual inventory record will be established.

"Physical counts of linen supplies in all facilities will be taken once per year and balanced with the inventory record. Because of the magnitude of taking a physical count in all facilities serviced, it is not possible with the present staff to do it any more often.

"All items are, in fact, marked with an identifying stamp with either the Province of Ontario or Queen Street Mental Health Centre. Some material, such as terry towel, does not maintain any type of marking well. In the past "Province of Ontario" has been embroidered right into the bath towels. However, this was extremely costly, and we now purchase from Standing Agreements which make no provision for this. We are presently experimenting to try and find a more permanent type of identification.

"The recommendation to count every piece of soiled linen returning to the Central Laundry at Queen Street Mental Health Centre is not feasible. The manpower required would be prohibitive. For various reasons Central Laundry and Linen may be justified in sending more clean linen items to a facility than were returned to them on any particular day. However, we will review operations as suggested to see if alternative procedures could be designed to provide a more satisfactory control over the quantities of linen in use."

and

"As suggested by the Auditors, a check was made with other laundries to ascertain if our losses are out of line. Our cost per lb. for linen replacement is \$.024 per lb. average over the past three years. Contact was made with other central laundry operations within general hospitals and psychiatric facilities. At this time they are experiencing a cost of \$.03 to \$.035 per lb. replacement. In order to control any losses that might have been occurring from our clean linen section from our Regional Laundry, we have recently installed locked security fencing. In addition, replacement changes are included in the cost per pound charged to the user institution."

83. Control Evaluation of Computer Systems, Ontario Health Insurance Plan, Ministry of Health. During the fiscal year we reviewed various control elements of the Ontario Health Insurance Plan (OHIP) enrolment and claims payment systems. Our observations and comments included the following:

Enrolment System

This system was originally designed in 1959 for the electronic data processing equipment then available. It has since been converted to more sophisticated equipment without major modification. Certain shortcomings in the present system were noted:

- 1) The enrolment or eligibility file identifies only the applicant for OHIP benefits; there is no identification of the spouse or other dependants under a "family" contract. Such identification would be most desirable from a control standpoint. It would, in addition, permit the periodic issue of up-to-date, readily identifiable eligibility cards, a practice which should tend to decrease the number of claims submitted on behalf of ineligible persons and to increase the amount of premium revenue.
- 2) No automated control exists over accounts receivable for group enrolment. Computer production of monthly lists of overdue reports and remittances would be a beneficial control feature.
- 3) Some premium refunds are manually processed. Generation of refund cheques by the computer system should result in decreased staff requirements and reduced possibility of duplicate payments. We have been advised that this feature will be included in a major systems revision scheduled for implementation in August 1977.

Claim System

Input forms for this system originate in each of the ten district offices across the Province. Claim cards are received, examined, batched and keyed in the district. The tapes thus produced are processed for payment on the main office computer installation. All rejections are returned to the district offices for correction and resubmission.

Our review indicated some weaknesses in the control over input documentation. We noted, for example, that the use of the majority of assessment, or "by-pass", codes is at the sole discretion of the input clerks in the district offices. To establish better control over this aspect of the operations we suggested that:

- 1) assessment codes not be used on original submission;
- 2) all assessment code usage be reviewed by a relatively senior authority in each district office;
- 3) main office carefully scrutinize and monitor the assessment code usage reports now being produced each month by the computer.

We also noted that security over unused claim forms could be improved. Pay-patient claim forms, in particular, are vulnerable to misuse. Unauthorized

possession of these forms containing identification of a physician/practitioner could result in the submission and payment of false claims. During the addressograph operation we observed that claim forms are left on the machine during lunch periods and other staff absences, and are readily available to anyone in the mail room. Access to the mail room is not restricted.

The General Manager of the Ontario Health Insurance Plan replied to our comments on December 29, 1976:

Enrolment System

- 1) *"When the hospital and medical enrolment systems were combined in April 1972 the question of registration of all residents was investigated by ourselves and by a government inter-ministerial data committee. Our instructions were to continue the family billing system in use since 1959 under the hospital system, and is the basis of our premium system. As you may be aware, we do capture dependent data from the claims documents submitted, but the accuracy of the file depends on the consistency of reporting by the physician or practitioner providing the service.*

"In January 1974 the Management Consulting Services Division of the Ministry of Government Services prepared two reports. In these reports they recommend the implementation of a unique personal identifier, and in conjunction with this the issuance to all residents of an embossed plastic identity card. The Minister of Health supports the recommendations, indicating however that the job of registration should not be the responsibility of his Ministry.

"I believe the recommendations will be reviewed by the Cabinet after review by the Policy Committee.

- 2) *"A major revision to the entire enrolment system is underway, with implementation planned for August 1, 1977. Following this, the Systems Management and Co-ordination Branch of the Ministry has scheduled a group accounts feasibility study, and this item will be considered at that time.*
- 3) *"It is expected that it will be possible to have virtually all premium refunds produced by computer following implementation of the new Subscriber Administration System."*

and

Claims System

"The use of assessment codes by the clerks is an integral part of the present system. Rather than to 'by-pass' the system the codes are used to ensure that special circumstances are properly processed on an individual basis in the computer operation — e.g. processing of claims for twins. Approximately 200,000 to 400,000 claims per month require such manual assessment and are warranted on original submissions.

"We have however, during the last year significantly improved the review of the use of assessment codes. The study was made for each District Office of the usage of the special codes. Each office was sent a separate review of their own experience . . .

"We took cognizance of your comments relating to security of unused claims forms. Security of unused forms including wastage has been emphasized."

84. Delinquent Settlements with Federal Hospitals, Ontario Health Insurance Plan, Ministry of Health. Federal hospitals are paid on the basis of monthly claims submitted by these facilities at a per diem rate authorized by the Ministry at the commencement of each operating year multiplied by the patient days during each month. After the close of each operating year settlements are made with hospitals at the actual per diem rate calculated by the Ministry from financial statements and statistical returns submitted by these hospitals.

No settlements have evidently been made with these hospitals for a number of years. A review of the file on one of these hospitals indicated that according to the hospital's calculation an amount of \$4,428,593 was owing by the Ministry for the period January 1, 1972 to March 31, 1975.

The Ministry wrote to us on September 29, 1977 to advise that:

"It has been correctly stated that no settlements had been made with the Federal Hospitals for a number of years. Settlement with the hospital cited was effected in June, 1977, for the period concluded March, 1977. The Regional Director, Health and Welfare Canada was previously advised that the financial returns from the other Federal Hospitals are unacceptable due to qualifications expressed by their auditors.

"We are relying on the Federal Government to specify what we owe them in an acceptable manner, and it is their failure to do so that has led to the delay.

"The Ministry will continue with efforts, to have this matter resolved during the 1977/78 fiscal period."

85. Excess Costs In Public Hospitals, Ontario Health Insurance Plan, Ministry of Health. A review was made of the work of the Audit Branch of the Ministry in connection with public hospitals. Our review of audit reports indicated that from the latter part of 1976 the audits had concentrated on the authenticity of the hospital operating costs and whether the salaries and wage costs for the 1974 and 1975 years remained within the Ministry's salary and wage guidelines for those years. In this connection twenty-five audits had been undertaken and reports issued thereon at the time of our review. An analysis of these reports prepared by the Audit Branch contained the following:

Expenditure recommended as non-shareable	\$ 80,769
Expenditure charged as operating costs recommended to be capitalized	83,537
Excess costs of salaries and wages over Ministry Guidelines for 1974 and 1975	1,148,824
Excess salary and wage rate adjustments over Ministry Guidelines in 1974 which apply to 1975	354,258
Excess salary and wage rate adjustments over Ministry Guidelines in 1974 and 1975 which apply to 1976	991,592
	<u>\$2,658,980</u>

The Ministry subsequently responded as follows:

"The first two items relating to Non-shareable Expenditures and Expenditure charged to Operating Costs are currently under review.

"In respect to salary overpayments, we have obtained a Legal opinion regarding the Ministry's position. Each audit report will now be reviewed by the responsible financial advisor in consultation with the Audit Branch and their recommendation will be forwarded for consideration and decision by the Ministry Audit Committee."

86. Reports Made to the Standing Public Accounts Committee re Matters Pertaining to the Ministry of Health. Pursuant to motions and requests made by the Standing Public Accounts Committee, we tabled reports on the following matters with the Committee:

- Analysis of Payments to Physicians and Practitioners in Excess of \$100,000 for Services Rendered During 1974-75, Ontario Health Insurance Plan: Tabled April 28, 1977.
- Payments to Physicians: Tabled July 5, 1977.
- Payments to Practitioners and Other Matters, Ontario Health Insurance Plan: Tabled July 5, 1977.

Official copies of these reports are on file in the Office of the Clerk of the Legislature.

The Legislature was dissolved on April 29, 1977. Following the election the new Legislature was convened on June 27 but was adjourned on July 12 for the summer recess. As a result, the Standing Public Accounts Committee has not as yet had an opportunity to review the above three reports.

87. Regulations Recommended re Establishment of Programs, Ministry of Housing. In the past we observed that the Ministry made frequent use of Orders in Council or Ministerial Policy to establish programs. In reply to our observations, the Ministry indicated that the establishment of descriptive regulations would be given consideration by its legal branch.

During our most recent audit, we noted that the following transfer payments had been made without the terms and conditions having been prescribed by regulation:

	<i>Year ended March 31, 1976</i>	<i>10 months to January 31, 1977</i>
	\$	\$
Grants to municipalities to assist in the preparation of housing policy statements and housing needs requirements	205,621	118,278
Special Planning Grants	670,659	862,497
Urban renewal	1,634,306	717,106
Neighbourhood improvement	928,992	2,631,519
Housing incentive grants	9,439,319	2,338,012
Study grants	1,541,596	457,078
Rent reduction grants	171,142	423,700
Rent supplement subsidies	163,804	509,252
Advisory support	36,475	3,006
	<u>14,791,914</u>	<u>8,060,448</u>

We recommended that wherever possible, programs be prescribed by regulation so that the details would be public information.

The foregoing comments were included in our memorandum of July 13, 1977 to the Ministry. As at the date of this Report, September 30, 1977, we have no record of reply. We are, therefore, unable to present the Ministry's views in the matter.

88. Status of Advances Not Maintained, Ontario Home Renewal Program, Ministry of Housing. Pursuant to section 2a of The Housing Development Act and the regulations thereunder, grants based on population are provided for municipalities to assist owner occupants with the repair of their homes. In excess of \$21 million was provided during the 1976-77 fiscal year. It is a condition of every grant made that where a municipality fails to use the whole or any part of the funds for the specified purpose, the whole or any part of the funds shall be repayable at the request of the Minister. The municipalities are responsible for administering the funds which are used for both forgivable and repayable loans to the owner occupants. As the loans are repaid, the municipalities retain the capital and interest payments and redistribute the funds in accordance with the regulations.

During our audit we observed that the Ministry had not maintained up-to-date information showing the status of the funds advanced to the municipalities. We felt that such a record should be kept by the Ministry in order to substantiate the continuance of advances.

We also noted that a municipality had failed to utilize a significant portion of a grant of \$133,230 made on March 31, 1976. As at December 31, 1976 the municipality had approved only four loans totalling \$13,857 to owner occupants. It is evident that the municipality received Provincial funds several months in advance of the time they were required. We recommended that grants be based upon current requirements and that population should be used only as a basis to determine the maximum grants permitted by the regulations.

The preceding comments were included in our memorandum of July 13, 1977 to the Ministry. We have no record of a reply as at September 30, 1977, the date

of this Report. We are, therefore, unable to present the Ministry's views on the matters raised.

89. Establishment of Policy Recommended re Remote Data Processing Facilities, Management Board of Cabinet. We made inquiries into the remote data processing facilities in use and in the proposal stage within the Provincial Government. The inquiries excluded facilities within the Metropolitan Toronto area. Our observations, which were forwarded to the Secretary, Management Board of Cabinet, included the following:

There are numerous types of terminals on the market, each of which has its own advantages and limitations. Some of the terminals can be relatively inexpensive, others can be quite costly in hardware, software, and communication lines.

Various manners of communication are available between the remote terminal and the host computer, and again, each method has advantages and limitations, and is specialized. At the present time there is a considerable element of uncertainty regarding transmission techniques which will be available in the future. Remote terminals are currently being used by the Ministries of Transportation and Communications, Natural Resources, Education and Environment, with communication by one or more of the various types of telephone lines available (e.g. conventional long distance, dedicated lines, etc.) Each of the installations was set up for a particular purpose within the specific Ministry.

It would be rather difficult to ascertain the overall cost to the Province of these remote data facilities. Some of the terminals are owned or leased by Computer Services Division, Ministry of Government Services (MGS) and are charged to the user Ministry. Other terminals are either owned, or leased directly, by the user. In some cases the communication lines charges are paid by MGS Telecommunications Services Branch and, in turn, either charged directly to the user, or charged to the Computer Centre concerned for subsequent charge by them to the user. In other cases, the telephone company may bill the user directly. In addition, charges for long distance calls or use of the inter-city telephone network are not segregated as to teleprocessing.

For control and information purposes we felt that some attempt should be made to isolate the costs of remote teleprocessing, particularly in view of the fact that these costs will undoubtedly escalate considerably in the next few years.

A number of Ministries are in the process of investigating remote terminal applications or are installing, or appraising, pilot installations. Each of the Ministries involved is undertaking its own research and study work, either by its own staff, or by consultants. In some instances, the MGS Computer Systems Planning Branch is being contacted for advice and assistance to this end. However, it must be pointed out that such requests for advice and assistance are at the discretion of the user Ministry. None of these Ministries, it appears, is concerning itself about the work being done by, or the requirements of, any other Ministry.

Any teleprocessing facilities which are to be installed require approval of Management Board. As a result, the Ministries are obliged to submit their requirements and proposals through the Management Technology Branch of Management Board Secretariat. As far as we could determine, however, no policy, either specific or general, has been laid down by the Board regarding teleprocessing facilities or networks. A "Computing and Data Communications Policy Steering Committee" was created in August, 1975 to present recommendations on this, and other matters, to the Board. We are advised that, as yet, no such recommendations have been made by the Committee.

Each request for these types of facilities, therefore, is considered on its own merits. Consideration is evidently not given by the potential user or by the Secretariat to the consolidation or optimization of existing or proposed facilities. We recommended that a policy regarding installation and use of remote data communication facilities and networks be established, and that the responsibility for undertaking steps to consolidate and optimize these facilities be definitely assigned.

The Secretary of the Management Board of Cabinet responded extensively to our comments on June 9, 1977. His response read, in part, as follows:

"It is our intention to establish a joint planning mechanism with MGS and appropriate ministries, to develop a comprehensive telecommunications strategy and plan within one year. This timing is consistent with the new systems environment in the Government and evident technological trends and expectations.

"In addition, the following actions will be taken over the coming months to strengthen the process and resolve some of the issues you have identified:

- 1. A policy on mini-computers will be presented to Management Board during June, which will categorize different potential uses and appropriate controls.*
- 2. A policy on responsibilities for telecommunications planning will be prepared for Management Board following further discussions with the Ministry of Government Services.*
- 3. Discussions will be held with MGS with a view to ensuring a clearer coordination between data and voice telecommunications planning.*
- 4. Strong efforts will continue to implement the new systems environment (the Executive Coordinator was appointed in April 1977).*
- 5. Continuing refinement of the data on the ministries' systems plans will take place. We will initiate multi-ministry discussions where common elements appear.*
- 6. Continuing practical minimization of interim telecommunication duplication will take place utilizing joint action by the Management Technology Branch and MGS.*

"I hope that the above has served to demonstrate that considerable progress is being made in this complex area. I assure you that we are well aware of the problems and will be taking your comments very seriously in the development of improved planning approaches and policies over the coming year."

90. Salary and Benefits Contingency, Management Board of Cabinet. The 1976-77 Expenditure Estimates for Management Board contained an amount of \$171,000,000 (Vote 501-4), identified as the Salary and Benefits Contingency and representing the estimated cost of anticipated salary and employee benefit awards and merit increases for government employees.

Amounts required to meet salary and employee benefit awards and merit increases throughout 1976-77 were not recorded as expenditure out of funds appropriated under Vote 501-4, with the result the 1976-77 Public Accounts (page 98) show Vote 501-4 as totally unexpended. Instead, applicable amounts were recorded as expenditure out of voted appropriations of the various Ministries, which appropriations were augmented where necessary under the authority of Management Board Orders.

The Director of the Expenditure Policy and Divisional Services Branch, Management Board of Cabinet has described the function of the Salary and Benefits Contingency activity as follows:

"Prior to the 1976-77 Fiscal Year, the estimated costs of salary and employee benefits awards to government employees during each fiscal year were not included in either the Annual Budget or printed Estimates projections of expenditures. As awards were approved, appropriate amounts were added to ministry budgets, as required, by means of Management Board Orders.

"In view of the increasingly large amounts involved, the Government decided that with the publishing of the Annual Budget and printed Estimates for 1976-77, the best possible estimate of the cost of awards likely to be approved at various dates in the 1976-77 fiscal year should be reflected in the total projected expenditures.

"It was concluded that the distribution of this estimate among the programs and activities of each ministry was not feasible, and that the gross projected salary and benefits costs should appear in one location—the 'Salary and Benefits Contingency'.

"As awards were approved and the actual costs were incurred they were not, of course, charged against the Contingency, but rather against the various votes and items to which they pertained. To the extent that these expenditures exceeded printed Estimates appropriations, Management Board Orders were approved.

"For this reason, the presentation of the Salaries and Benefits Contingency activity as displayed in the 1976-77 Public Accounts shows 'Nil' spending against the \$171,000,000 appropriation, the actual spending

having been allocated to the salaries and wages and employee benefits accounts of ministries' votes and items throughout the government."

91. Administrative Improvements Warranted, Ministry of Natural Resources. In July 1975 the Ministry developed new procedures for the implementation and maintenance of a perpetual inventory system to provide a measure of control over the acquisition, safekeeping and disposition of articles of equipment. The estimated completion date for the establishment of this system was set for March 31, 1976 and this date was later extended to December 31, 1976. As at the conclusion of the current audit in May 1977 the new system had not been fully established.

With regard to supplies stocked in the Central Stores Warehouse, a test count of twenty-five items was taken on February 7 and February 8, 1977 which revealed seventeen differences between the inventory records and the physical quantities on hand. It was also ascertained that there had not been a complete physical count taken of Central Stores since 1971. We recommended that such a physical inventory count be taken and any resulting differences between the actual quantities and the related records be investigated and resolved. Consideration should also be given to the performance of this verification procedure at regular intervals in future and to a general review of the stores procedures to ensure that adequate control and security is established over the items in stock.

A person employed to act as a special advisor to the Minister was transferred from the Ministry of Health to the Ministry of Natural Resources in the same capacity on February 4, 1977. From the date of transfer to March 31, 1977 the Ministry of Natural Resources had paid the advisor a total of \$3,160 in per diem allowances plus an additional \$488 in expenses for travelling to and from his place of residence. The terms of employment for this advisor as approved by Management Board of Cabinet, however, applied to the Ministry of Health and made provision for the payment of a per diem allowance only. The advisor's eligibility for travel cost reimbursements should be clarified and a contract should be drawn up and executed to set out the terms and conditions of his employment. We felt that application should be made to Management Board of Cabinet for approval for the employment and remuneration of this person and for the ratification of payments made since the date of his transfer.

During the period from October 1975 to March 1977 the Ministry made payments totalling \$860 to a commercial airline for six flights taken by persons who were not employees of the Ministry. There was no evidence on file to indicate that the travel was taken in the performance of government business or that the Ministry had been reimbursed for the costs of the air fares. Since these expenditures did not appear to be properly chargeable to the Ministry, the matter was drawn to the attention of responsible officials for further investigation and recovery action.

The preceding comments were included in our memorandum of July 14, 1977 to the Ministry. As at the date of this Report, September 30, 1977, we have no record of a reply. We are, therefore, unable to present the Ministry's views on the matters raised.

92. Absence of Contractual Arrangements, Office of the Premier and Resources Development Policy. The services of an organization were obtained by the Office of the Premier to monitor radio and television newscasts and provide summaries of their content. Payments for this service during the period December 5, 1975 to September 8, 1976 amounted to \$4,000. At the time of our review no formal written contract covering the services to be provided by this organization had been agreed to.

The Royal Commission on Electric Power Planning, Resources Development Policy, engaged three firms to supply public communications services. The services to be provided were described in proposals submitted by the consulting firms to the Commission. Copies of letters on file indicated the acceptance of these proposals by the Commission. Payments to these firms were made as follows:

(a) December 24, 1975 to March 26, 1976	\$83,186;
(b) January 7, 1976 to May 4, 1976	37,922;
(c) December 24, 1975 to March 6, 1976	32,649.

It is our opinion that consultants' services would be better controlled through a formal contract drawn up for each consulting assignment and signed by representatives of both the Commission and the consultant.

The following response was received on February 21, 1977:

"The services to monitor radio and television newscasts and provide summaries of their content is regarded as a continuous monthly supply, at a fixed rate, and paid for by approved invoices. A formal written contract is being arranged to cover this service.

"Your comments on the lack of formal contracts for consulting services to the Royal Commission on Hydro Electric Power Planning have been brought to the attention of the Chairman of the Commission and the Deputy Provincial Secretary, Resources Development."

93. Additional Verification Procedures Recommended, Ontario Tax Credit System, Ministry of Revenue. The Memorandum of Agreement made under the Federal-Provincial Fiscal Arrangements Act provides, among other things, that during the term of the agreement Canada, as agent for the Province, will administer for and on behalf of the Province, the Ontario Tax Credit System enacted by the Provincial Act. The Memorandum of Agreement further provides that the Province will pay an annual administrative fee to Canada based on one per cent of the aggregate amount of the Ontario tax credits in the applicable taxation year.

For the 1975 taxation year approximately 3 million Ontario tax credit claims amounting to over \$414 million were filed by Ontario residents. Administrative fees in excess of \$4 million were paid to Canada respecting Ontario tax credit claims processed in the 1975 taxation year.

Officials from Revenue Canada—Taxation advise that, since documentary proof of occupancy costs is not required with a claim for Ontario tax credits, the only manual check made by Canada for the Property Tax Credit, the Sales

Tax Credit and the Pensioner Tax Credit claims for the majority of Ontario taxfilers has been to ensure that a copy of the claim form under the Ontario Tax Credit System (form T1C Ont.) is filed with the applicable income tax return. If a taxfiler claims an Ontario Political Contribution Tax Credit, however, a manual check is made to verify that a copy of an official receipt is submitted with the Ontario Tax Credit System claim form.

In addition, Canada performs a special computer match of spouses to ensure that an Ontario tax credit is claimed by the spouse with the higher taxable income. It is also understood that Canada does perform a special post-assessment review of the files relating to residents claiming Ontario tax credits. The extent of this review, however, could not be substantiated in writing.

A report on the results of the computer match of spouses and the special post-assessment review of files for the 1975 taxation year was forwarded on June 3, 1977 to the Guaranteed Income and Tax Credit Branch of the Ministry of Revenue by the Assessing Division of Revenue Canada—Taxation. This report stated that the computer match of spouses for 70,888 files resulted in adjustments to 55,716 returns and a net recovery of \$2,412,322 and that the post-assessment review of 42,391 cases resulted in adjustments to 13,214 cases and a net recovery of \$1,122,998. Subsequent correspondence from the Assessing Division indicates that further recoveries of Ontario tax credit claims might arise from cases which are presently under investigation or before the courts.

The Guaranteed Income and Tax Credit Branch of the Ministry of Revenue has not yet instituted procedures within the Branch to provide an independent check on the accuracy of claims granted under the Ontario Tax Credit System. In view of the large volume and dollar value of such claims granted in each taxation year we felt that the development and institution of such procedures should be given immediate attention. The following suggestions were made with respect to this verification activity:

1. Commence negotiations with Revenue Canada—Taxation to determine if Canada would agree to an increase in the percentage of files selected for their post-assessment review and to the extension of the scope of this review to include claims submitted by persons 65 years of age or older.
2. Require taxfilers to submit a copy of their receipted tax bill or evidence of rental payments made with their returns.
3. Develop a form for distribution with the Ontario Tax Credit System claim form to provide for a landlord to certify the rental payments made by occupants of apartments, student residences, nursing homes or other rental accommodation. If this form were to include the Social Insurance Number of both the landlord (if an individual) and the tenant or boarder it would act as a deterrent for possible abuse and could also result in the declaration of taxable income not presently reported by a landlord.
4. Utilize the current assessment records to approximate at least, the number of possible claimants for the Property Tax Credit and to ensure that

the number of claimants for the Property Tax Credit does not exceed this possible maximum.

5. Verify, on a test basis, the validity of claims for the Pensioner Tax Credit by comparing the names of the claimants with the names of persons in receipt of old age security payments as recorded on computer tapes in the Guaranteed Income and Tax Credit Branch.
6. Institute a field audit routine to verify the accuracy and validity of a representative number of claims granted under the Ontario Tax Credit System. The results of this field audit might indicate if changes are required to the Ontario Tax Credit form or the related Legislation.
7. Include the Social Insurance Number of property owners on the assessment records. This information, in conjunction with details shown on the magnetic tapes provided by Canada, would facilitate the verification of the property tax portion of Ontario Tax Credit claims.

No attempt was made to determine the costs of implementing the above-noted suggestions. However, we felt that they should be given serious consideration in view of the recovery, \$3,535,320, which resulted from the post-assessment review and spouse matching process undertaken by Revenue Canada—Taxation in respect of 1975 returns.

The foregoing comments were included in our memorandum of September 30, 1977, the date of this Report. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

94. Evaluation of the Effectiveness of the Land Speculation Tax Self-Assessment Tax System, Ministry of Revenue. In general terms, The Land Speculation Tax Act, 1974 imposes a tax upon the increase in the value of designated land occurring after April 9, 1974. The tax is payable at the time of the disposition of designated land.

The Act is administered through a self-assessment tax system and compliance with the legislation is secured by the imposition of a statutory lien upon the designated land for the amount of the unpaid tax. Transferors of designated land or their representatives may have a lien removed by completing an "Application for Lien Clearance" form and paying the appropriate tax. Where a disposition is exempt from tax under the Act, the statutory lien may be removed by the filing of an "Affidavit of Exemption".

The information filed in "Application for a Lien Clearance" forms is subject to a preliminary examination at the time of filing to determine its acceptability for lien clearance purposes. Subsequently, the applications are reviewed in greater detail. We were advised, however, that the detailed review has been limited because the volume of applications was very large in relation to the number of staff members available for the review function. As a consequence, the effectiveness of the system from a tax revenue aspect is dependent, in a number of cases, on the willingness of the transferors to accurately report the land valuations upon which the tax was computed. The basic valuations utilized for tax purposes are summarized below:

"Proceeds of Disposition"	Total consideration received or fair market value whichever is applicable
"Adjusted Value"	Cost of acquisition or fair market value whichever is applicable
"Cost of Improvements"	At cost
"Net Maintenance Costs"	At cost
"Costs of Disposition"	At cost

During the course of our audit, 1,185 "Application for a Lien Clearance" forms were examined in detail. The following comments are made with respect to this examination.

- A. The fair market value of designated land as declared by transferors on many of the "Application for a Lien Clearance" forms was an expression of opinion by the transferor or solicitor. These valuations may be subject to question since they were not given at arm's length and the qualifications of the persons expressing an opinion, as appraisers, were not disclosed. A limited number of appraisals of designated land have been made by Ministry realty assessors in order to check the fairness of the fair market valuations submitted by transferors and this verification activity subsequently resulted in some increases in tax assessments.

Since the fair market value attributed to designated land by transferors materially affects the amount of land speculation tax payable, consideration should be given to an increase in the number of appraisals made by the Ministry on opinions expressed by a transferor or his solicitor in order to ensure the integrity of the self-assessing tax system.

- B. Information relative to expenditures which may be claimed for Improvements, Maintenance, Acquisition Costs or Disposition Costs is contained in The Land Speculation Tax Act and in bulletins issued by the Ministry of Revenue. The "Application for a Lien Clearance" makes provision for such expenditures to be reported in total and the accompanying instruction sheet indicates that books and records necessary to verify the accuracy of reported costs, expenditure, etc. should be kept available in the event that they are required for audit purposes.

During the test examination of "Applications for a Lien Clearance", we noted that inquiries by the Land Speculation Tax Section into the costs reported on certain applications resulted in some disallowances and reassessments of the land speculation tax payable. We felt that a greater degree of compliance might be expected if full details of these costs are required to be reported on each "Application for a Lien Clearance" form.

Statutory exemptions from Land Speculation Tax apply to a number of categories of dispositions including inter-family transfers, renovated properties, principal residences and principal recreational properties. To claim the exemption the transferor or his representative must file an affidavit of exemption at the time the conveyance is registered. The affidavits of exemption are filed directly with Land Titles Offices or the Land Registry Offices without examination or verification by the Land Speculation Tax Section.

The following comments were included in the Ministry's reply dated September 27, 1977:

"Subject to certain statutory deductions, land speculation tax is based upon the difference between the buying price and selling price of property where the property was bought after April 9th, 1974, or between the property value on April 9th, 1974, and the selling price when acquired prior to April 9th, 1974. There is therefore no difficulty in establishing the adjusted value where it is determined by the cost of acquisition. In cases where the adjusted value is determined by the property value on April 9th, 1974, there are problems, caused mainly by the volume of transactions involved. It must be expected however that as properties continue to trade, an increasing number of applications will be using cost of acquisition for adjusted value.

"Records kept in the Succession Duty Branch have shown that the greatest potential for revenue on post audit lies in revisions that can be made to the declared April 9th, 1974, values. The number of appraisals made by the Ministry has steadily increased and will continue to do so. With the passage of time, the increasing number of appraisals combined with a decreasing number of applications able to use the April 9th, 1974, value, will result in an improved percentage of audit coverage.

"In the six months ended July 31st, 1977, 925 appraisals were made compared to 139 during the previous six months."

and

"Every year, more than 75,000 applications are processed. Since the Act came into force therefore more than 250,000 applications are now on record. This volume was taken into account when the administration procedures were designed, and it was decided that as no tax would be payable in more than 90% of the cases, the minimum of verification would be demanded in the first instance. In those cases selected for audit or where tax was shown to be payable, full verification would be required.

"The original application form was completely redesigned in December 1975 and the new application form will be available in a few weeks. The new form will require that all maintenance and disposition costs be itemized. In addition, to improve compliance and reduce the volume of correspondence from head office, staff located in the Regional Assessment and Registry Offices will be instructed to ensure that the application form is fully completed before forwarding it to Toronto."

and

"In addition to the approximately 75,000 dispositions for which a lien clearance certificate is required, it is estimated that there are 300,000 dispositions with exemption claimed by affidavit. The Land Speculation Tax Act was designed to ensure that transfers in the ordinary course of business involving principal residences, principal recreational properties,

commercial industrial properties, etc. would be affected as little as possible. It was decided therefore that while exemption could be claimed by affidavit, this did not relieve the transferor from his liability to pay any tax that may be found to be payable.

"As part of its routine audit procedures, staff in the Succession Duty Branch do examine hundreds of instruments that have been filed with affidavits of exemption attached. The instruments are recorded on microfilm and are the property of the Assessment Division, but for many months now and from all over the province, the films have been made available for examination by the Land Speculation Tax staff.

"It is of course difficult to detect false affidavits from this examination, but the fact that instruments are being examined and that letters of enquiry are being sent puts the public on notice of our activities and should lead to an improvement in compliance.

"Now that the field audit staff is in operation, greater use can be made of them to verify claims for exemption through actual examination of properties and direct contact with taxpayers."

95. Exemptions under The Land Speculation Tax Act, 1974, Ministry of Revenue.

Under section 23(2) of The Land Speculation Tax Act, 1974, the Lieutenant Governor in Council may make regulations:

"exempting from tax any designated land or class of designated land or exempting from tax any designated land with respect to which any disposition or class of disposition occurs . . .".

During the 1976-77 fiscal year three such regulations were made, 340/76, 649/76 and 868/76. These regulations were filed on April 15, August 6 and October 29, respectively, and were published in The Ontario Gazette.

The exemption granted under regulation 340/76 was the subject of extensive deliberations by the Standing Public Accounts Committee during the latter part of 1976 and the early months of 1977. A resultant recommendation was included in the Committee's report to the Legislature dated March 29, 1977. (See Exhibit 12 to this Report.) A judicial inquiry into the matter was authorized by Order in Council dated April 20, 1977. This inquiry was to determine "whether any undue or improper influence was brought to bear, from any source, or whether there was any other impropriety of any kind in respect of the decision by the Government to grant an exemption . . .".

The Commissioner appointed to conduct the inquiry submitted a Report on his findings in July 1977 and concluded:

"I have inquired into the matters referred to me and hereby report that I am satisfied that there was no undue or improper influence brought to bear on anyone from any source nor was there any other impropriety of any kind in respect of the decision by the Government in granting an exemption under the provisions of The Land Speculation Tax Act, 1974 . . .".

96. Exemptions under The Land Transfer Tax Act, 1974, Ministry of Revenue.

Under section 18 of The Land Transfer Tax Act, 1974, the Lieutenant Governor in Council may make regulations:

“exempting from tax any person tendering for registration any class of conveyance to which it is determined that this Act was not intended to apply, or any conveyance to persons prescribed for the purpose of this clause;”

and

“providing for the refund of tax in whole or in part owing to special circumstances, and prescribing the terms and conditions under which such refund may be made;”

During the 1976-77 fiscal year four such regulations were made, two exempting from tax and two providing for the refund of tax. These regulations, 366/76, 367/76, 772/76 and 142/77 were filed on April 27, April 27, September 21 and March 11 respectively, and were published in The Ontario Gazette.

Provision is also made under The Land Transfer Tax Act, 1974 for the deferral or remission of tax on certain conveyance to non-residents. In this regard the Minister of Revenue may, with the approval of the Lieutenant Governor in Council:

“defer the payment of the tax, or remit the tax paid, on such conditions as to the use and development of the land or otherwise as are considered advisable and sufficient to ensure the development of the land as proposed or compliance with any undertakings given by the non-resident person acquiring the land, . . .”.

Any tax deferred or remitted constitutes a first lien and charge on the land which the Minister may discharge, in whole or in part, as imposed conditions are fulfilled.

During the 1976-77 fiscal year approximately thirty Orders in Council were passed authorizing the deferral or remission of land transfer tax on conveyances to non-residents.

97. Report Made to the Standing Public Accounts Committee re Home Buyers' Grants Administered by the Ministry of Revenue. At the request of the Standing Public Accounts Committee we tabled information on Home Buyers' Grants with the Committee on December 2, 1976. An official copy is on file in the Office of the Clerk of the Legislature.

Following a review of the matter the Committee recommended in its December 1976 report to the Legislature that “the Minister of Revenue undertake a complete audit of all First Time Home Buyers' Grants and recover all payments made either in error or illegally. The said audit and recovery should be completed by the end of 1977”.

In May 1977, the Ministry advised as follows:

"... audit of the grants paid under this program is being maintained at a relatively consistent level. It is expected that this level will be maintained for the balance of the year with periodic monitoring of the program to evaluate results. Various alternatives for continuing the audit are being considered. In the meantime the audit is proceeding with the resources allocated to it and originally made available to the program."

This Office will review the Ministry's audit activities with respect to Home Buyers' Grants early next year.

98. Control Evaluation of Computer Systems, Registrar of Motor Vehicles, Ministry of Transportation and Communications. We reviewed the various control elements applicable to the Agents Sub-System segment of the Vehicle System. Particular emphasis was placed on the controls exercised over the development of the system and programming, and over the handling and eventual processing of the data by the computer. Our comments included the following:

Systems and Design

The Agents Sub-System is designed to control over \$200,000,000 in annual revenue from vehicle registration fees. This sub-system does, therefore, have significant financial implications. For systems with financial implications the Manual of Administration stipulates that the responsible financial officer of a ministry shall specify the accounting controls to be applied throughout the system and ensure that these accounting controls are applied.

We could find no evidence that any financial officer of the Ministry was involved in the design of this sub-system, nor any indication of effective communication between the financially knowledgeable people in the Agents Control Office and the systems designers. As a result, the systems designers received little guidance or direction as to financial verification requirements which should have been built into the system. The system does not, for example, contain any monetary balancing controls.

The system is designed to work fairly smoothly if all of the input is reasonably accurate. However, since past experience had indicated that a considerably high proportion of errors could be expected in the input documents which are prepared by the issuing agents in the field, this factor should, we felt, have been provided for in the system design. In addition, the programs generate insufficient explanatory comment in respect of detected error situations, with the result that a considerable amount of time is required to locate the source of an error before it can be corrected.

As a consequence, a large number of Issuing Agents' reports are being held in an "error file", pending correction, and further processing is substantially delayed. Until these items are processed no verification can be made that the amount which the agent has remitted is the amount which he should have remitted; nor can verification be made that the agent is properly accounting for all of the saleable forms, plates, permits and stickers which he has received.

In summary, we are of the opinion that some basic changes in systems design are required if desired results are to be achieved. Recommendations in this regard were made to senior computer and accounting personnel, and we understand that the system has been redesigned with implementation to be effective in the 1977 licence year.

Output Verification

One of the basic control techniques for a computer system is the existence of a Control Group. The purpose of such a group is, among other things, to receive all data destined for processing, to record input to the key punch section, to receive and balance output from the computer, and to ensure proper distribution of output reports. In some instances, the absence of a Control Group can be compensated for by the existence of a well trained and supervised input preparation group.

Since little supervision can be effected over the issuing agents in the field, an effective Control Group is essential for this sub-system. Unfortunately, no such Control Group exists. No attempt is made to balance the input records with the output reports, and there is no assurance that all output reports and error listings are received back from the computer. As a result, it is not possible for the Agents Control Office to prevent or detect accidental or intentional errors in the operations, or to prove completeness or accuracy of data processed.

The Ministry responded to our comments on December 23, 1976:

Systems and Design

"With regard to comments on the lack of input into the design of the original system by the Ministry's Financial Officers it should be remembered that our former Executive Director, Finance was personally involved in this development from its inception. However, I have directed that in future all development work of this nature which has financial implications must be referred to our Financial Comptroller to ensure that the necessary accounting controls are incorporated and are applied.

"In the last paragraph under this sub-heading you refer to changes in the systems design, affecting the Agents Sub-Systems segment of the Vehicle System and recommendations in this regard made to senior ADP and accounting personnel. I have had these proposals reviewed by our Financial Comptroller and our Director, Internal Audit Branch and they have reported to me that, in their view, the revised system does incorporate most of the controls which have been lacking until now. The redesigned system is, in fact, to become operative with effect from December 1, 1976 (the commencement of the 1977 licence year) and the first monthly reports will be available in the third week of January 1977. These will be updated on a monthly basis to provide a continuous record of cash collected and deposited, inventories, transactions, reconciliations, and adjustment of errors affecting cash and inventories. I think we have to recognize that an extensive field operation, across the

entire Province, such as the collection of vehicle fees, designed to provide convenient service to the public, cannot be economically provided with close day to day supervision and we must expect a number of errors which are beyond our control. We are however, giving serious thought to the advantages of such improvements as preprinted renewal documents and while this approach will reduce the number of errors it remains at best, only a partial solution.

Output Verification

"In the matter of control techniques, we have established a report flow control which monitors the progress of reports through the various stages of processing — this includes batching, key-editing, report balancing and data-base update. Also, the key-edit equipment which is now used for input purposes has been reprogrammed in such a way that all information received for processing will be accounted for and automatically reconciled with the output to ensure that no documents or information have been omitted."

99. Increase in Unfunded Liability, Teachers' Superannuation Fund. The actuarial report on the Fund dated June 30, 1977 disclosed an unfunded liability of \$1,397,000,000 as at December 31, 1975. The previous actuarial report reflected the financial position of the Fund as at December 31, 1972 and disclosed an unfunded liability of \$557,877,000. A principal cause of the substantial increase in the amount of the unfunded liability as at December 31, 1975 was the greater than anticipated increase in the general level of salaries experienced subsequent to 1972.

Based on the latest valuation, and pursuant to the Regulations under The Pension Benefits Act, the Province is required to make the following minimum annual payments with respect to the unfunded liability of the Fund:

1976-1980	\$144,436,000
1981-1989	138,571,000
1990	116,657,000
1991 and thereafter	22,980,000

The minimum payment schedule outlined above is retroactive to 1976. As a result, during the 1977-78 fiscal year the Province will be required to pay into the Fund, not only the 1977 minimum payment of \$144,436,000, but also the difference between the 1976 minimum payment of \$144,436,000 and the amount actually paid into the Fund for that year. This difference amounts to \$65,911,700 (excluding any interest adjustment).

In addition to making payments required to amortize the unfunded liability in accordance with The Pension Benefits Act, the Province also matches the contributions made to the Fund by the Teachers. The Teachers' Superannuation Act requires that the teachers contribute 6 per cent of their salaries, less their required Canada Pension Plan (CPP) contributions. During the valuation process the actuaries found "that the combined teacher-Province statutory contribution rate

(12 per cent less CPP) is now less than the minimum required contribution rate . . .”.

If the matching principle is to be maintained, then, according to the actuarial report, both the teachers' contribution rate and that of the Province should be increased by 0.4 per cent to 6.4 per cent less CPP. If the teachers' contribution rate is not changed, then the Province's contribution rate should be increased by 0.7 per cent to 6.7 per cent less CPP.

100. Poor Control over Use of Long Distance Telephone Facilities. Payments by Ministries to a major communication company during the fiscal year 1975-76 aggregated in excess of \$16,200,000. Of this total, approximately \$8,300,000 was paid by the Ministry of Government Services.

Centrex and Inter-City Network

The Telecommunication Services Branch of the Ministry of Government Services provides systems throughout the Province for public servants to use in communicating with each other and with the public in the conduct of government business. At Queen's Park both a Centrex telephone system and access to an Inter-City Network for inter-city calling are provided to serve government Ministries and Agencies in the Toronto area. The Centrex system facilitates "direct-in-dialing", enabling those people from outside government, as well as internal callers, to bypass the central switchboard facilities. A faster, more efficient and more personal service is thus provided. The Inter-City Network is designed to provide telephone service for business purposes between Queen's Park and Ontario centres outside Toronto at a lower cost than conventional long distance calling.

The 1975-76 expenditure of the Ministry of Government Services in respect of telephone communication may be summarized as follows:

Rental of Centrex Lines	\$ 4,200,000
Rental of Inter-City Network	1,300,000
Long Distance Charges	2,000,000
Other Charges — Installation Costs, etc.	800,000
	<u>\$ 8,300,000</u>

Control Over Long Distance Charges

While an objective of the Inter-City Network is the reduction of expenditure for long distance communication, it is evident from the foregoing summary that long distance charges are nevertheless substantial. We have reviewed the use of long distance telephone facilities and the following are our observations and comments.

At the time of our review, November 1976, no standard system of internal control was in effect with respect to long distance telephone calls. We visited four Ministries and one Agency and found that control measures differed for each Ministry or Agency and, frequently, between branches within the same Ministry or Agency. In a number of instances we found that procedures were weak and open to abuse from the standpoint of personal use, and unnecessary business use, of long distance telephone facilities.

In several areas, for example, no attempt was made to record or approve long distance calls at the time they were made. Failure to do so seriously hampers the effectiveness of any control measures undertaken following receipt of billed charges several weeks later. Most areas did require a branch director or manager to authorize the payment of charges received. However, practice varied widely regarding efforts made to determine the originators of the calls, that the calls were required for business purposes or that, in fact, the calls had not been billed to the Government in error. Some branches had established a per call dollar limit below which they did not investigate. This limit fluctuated considerably, \$5.00 in some cases, \$10.00 in others, etc.

As an illustration of our concern that long distance facilities may be abused, during our review of long distance charges incurred by the Realty Branch of the Ministry of Government Services we noted several calls over a several month period to an unusual out-of-province destination. Upon investigation we learned that the charges were for personal calls made by an employee of the Branch. The situation was brought to the attention of management, whereupon reimbursement from the employee in the amount of \$125 was requested and received. The branch director subsequently reminded his staff by memorandum that government telephones were not to be used for personal long distance calls.

In view of the magnitude of total government expenditure on long distance calls, we felt that a standard control system should be developed for application to all Ministries and Agencies. An outline of one such system was provided for consideration by the Ministry of Government Services.

Use of Inter-City Network

Studies undertaken by the Telecommunication Services Branch for the month of October 1976 revealed that, on average, calls made via the Inter-City Network will be accommodated, (i.e. will not be rejected because the lines are already in use) about 80 per cent of the time. The studies further indicated that calls attempted over the Network during the peak use period of 10:30 a.m. to 2:30 p.m. will, again on average, be accommodated approximately 72 per cent of the time.

In the course of investigating long distance calls made to centres serviced by the Inter-City Network, we asked users why they had not used the Network facility to avoid the long distance charges. In virtually every instance we were advised that the Network had been tried initially but the lines were found to be busy. Our review would indicate that insufficient effort was being made to schedule calls in other than the peak use period. We felt, also, that there was a tendency to abandon the Network in favour of conventional long distance when the Network proved busy on the first attempt. We concluded that the alternative of waiting a few minutes and trying the Network again was not employed as frequently as it might have been. Therefore, to reduce expenditure for long distance calls to areas serviced by the Inter-City Network, we recommended that:

1. Users be formally advised that the inter-city lines are most used during the period 10:30 a.m. to 2:30 p.m. and, therefore, to place calls of a

non-urgent nature at times outside this peak period. If calls are placed at times other than between 10:30 a.m. and 2:30 p.m., the following benefits should accrue:

- a) through less usage of the Network during the "busy period", people will be able to complete important calls that may otherwise have to be dialed long distance;
 - b) as there is a fixed charge for the Inter-City Network, irrespective of the number of calls made, a greater benefit can be derived by spreading the calls more evenly over the day.
2. Users be urged to allow several minutes to elapse and to try the Network again should a call not be completed on the first attempt. The alternative of conventional long distance should only be used in cases of extreme urgency.

On March 10, 1977 the Ministry of Government Services replied to our comments as follows:

Control over Long Distance Calls

"While we share your concern about any avoidable long distance telephone expenditures and will review with the Management Board Secretariat your suggestion for a standardized pre-approval and record keeping system, we question the efficacy of the imposition of further paper work. A standardized record, made at the time of placing the call, would indeed permit a caller to be identified more readily when his or her manager subsequently wishes to analyze a telephone bill.

"However, the success of the system relies on the dependability of the user to record his call. Any person making an "unnecessary" or even an "unauthorized" (i.e. private) long distance call is unlikely to keep a reliable record. Shared telephone lines and the relatively easy access to our telephones severely limits the effectiveness of a manual recording system. Pre-authorization and post-audit standards, if re-publicized at appropriate intervals, may have a desirable moderating effect and we assume that this matter will be given consideration by the Management Board Secretariat.

Use of Inter-City Network (I.C.N.)

"We periodically monitor the utilization of the I.C.N. and its adequacy. In respect of some locations and some time periods your recommendation about rescheduling non-urgent calls to off-peak periods is valid. Unfortunately, the patterns change for various centres and it is difficult to keep users informed on a current basis. We will modify the general instructions in future issues of the Government telephone directory to emphasize the advantage of advancing or delaying calls to off-peak periods and encourage users to 'dial again' on receiving a busy signal on the initial attempt."

101. Purpose of the Ontario Loan Acts Questioned. Each year "An Act to authorize the Raising of Money on the Credit of the Consolidated Revenue Fund" is passed by the Legislature and is cited as The Ontario Loan Act of the particular year concerned (e.g. The Ontario Loan Act, 1976). Each Ontario Loan act stipulates a maximum amount which may be borrowed under the authority of its legislative provisions. However, no time limit is specified for the exercise of the borrowing authority. Furthermore, any indebtedness created under an Ontario Loan act can be renewed indefinitely under the provisions of The Financial Administration Act.

Each Ontario Loan act also provides that the amount authorized thereunder is "in addition to all sums of moneys authorized to be raised by way of loan under any other Act". As at March 31, 1976 over 40 per cent of the Province's debenture and note liability of \$11.7 billion had arisen through the exercise of borrowing authority available under other legislation (e.g. The Power Corporation Act).

By its title, particularly its full title as indicated above, each Ontario Loan act suggests, in our opinion, that it constitutes a control mechanism over the borrowings of the Province. As can be seen from the comments in the preceding two paragraphs, however, it does not. We are, therefore, uncertain as to the purpose of the Ontario Loan acts. We suggested that it would be preferable for the Legislature to exercise control over the aggregate indebtedness of the Province through the passage of annual legislation stipulating a permissible maximum of outstanding borrowings from all sources.

The foregoing comments were communicated to the Ministry of Treasury, Economics and Intergovernmental Affairs, which Ministry is responsible for the administration of the Province's Finance Program.

The Ministry subsequently responded in the following manner:

"It should be recognized that the annual loan act is an important part of Ontario's annual budget and financing plan. Information is provided to the members of the Legislature on Ontario's borrowing in three distinct stages: firstly, the details of Ontario's borrowing plans in aggregate are set out in Ontario's annual budget; secondly, explanatory information is printed with the annual loan act describing what the authority covers together with additional information being provided by the Treasurer during the debate on the bill; and finally, the actual borrowings undertaken are published each year in the financial report and public accounts of the Province."

102. Write-Off of Uncollectable Accounts. Section 14 of The Financial Administration Act reads as follows:

"14.—(1) Where a person has an obligation or debt due to the Crown or the Crown has a claim against a person, the Treasurer may, subject to any other Act affecting such obligation, debt or claim, negotiate and accept a

settlement in payment and satisfaction of such obligation, debt or claim, or may determine that any such obligation, debt or claim is uncollectable.

(2) The Lieutenant Governor in Council, on the recommendation of the Treasurer, may, if he considers it in the public interest, delete from the accounts any loss incurred in any settlement or determination made under subsection 1. . . .

(3) The losses deleted from the accounts during any fiscal year shall be reported in the Public Accounts for that year. . . .”

During the 1976-77 fiscal year 18 Orders in Council were passed authorizing the deletion of losses from the accounts. Deleted losses totalled \$7,310,545 and are summarized by Ministry on page 59 of Volume 1 of the Public Accounts. The following additional comment is provided with respect to some of the larger write-offs.

The Ministry of Consumer and Commercial Relations wrote off a total of \$3,722,620 with respect to the Motor Vehicle Accident Claims Fund. Proposed write-offs of certain amounts owing to the Fund were commented upon in section 144 of our 1974-75 Report.

Uncollectable accounts totalling \$2,248,733 relative to fines and costs imposed by Provincial Courts were written off by the Ministry of the Attorney General. In our 1975-76 Report (section 87) reference was made to the large volume of old unpaid fines. We pointed out that the Ministry was then considering a new policy “setting out standards by which the non-collectability of unpaid fines can be judged (death, non-residency, etc.) and the degree of documentation deemed necessary to institute write-off”.

Over 1,300 accounts amounting to \$1,001,505 in respect of various unpaid taxes and overpayments were written off by the Ministry of Revenue. The major portion of this write off pertained to tax payable under The Retail Sales Tax Act. Amounts written off were in the approximate range of \$1 to \$175,000.

103. Board of Internal Economy. Section 85 of The Legislative Assembly Act, as amended, reads: “The Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same vote and the Provincial Auditor shall make special mention in his report of any transfer under this section”. In respect of the 1976-77 Expenditure Estimates, the following transfers were made within Vote 201:

\$171,000 from Item 13—Constituency Offices, to Item 4—Hansard \$40,000, and to Item 6—Members’ Indemnities \$131,000.

104. Management Board Orders. Section 5 of The Management Board of Cabinet Act, 1971 provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

One hundred and eleven Management Board Orders were issued in respect of the 1976-77 fiscal year. In total, expenditure of \$301,891,150 was so authorized. The amounts authorized by Management Board Orders averaged approximately \$2,700,000 and ranged from \$8,000 to \$68,350,000. A listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 6 to this Report. A total of two hundred and fifty-nine items were included in the Management Board Orders and are detailed in the Exhibit.

By way of additional information, the Management Board Orders in respect of the 1976-77 fiscal year have been summarized by month of issue:

<i>Month of Issue</i>	<i>Number</i>	<i>Authorized</i>	<i>%</i>
August 1976	1	\$ 406,900	.1
November 1976	1	1,259,000	.4
December 1976	2	2,947,500	1.0
January 1977	8	5,946,600	2.0
February 1977	16	23,761,700	7.9
March 1977	42	203,802,000	67.6
April 1977	38	62,246,650	20.6
May 1977	1	695,000	.2
July 1977	2	825,800	.2
Total	111	\$301,891,150	100.0

105. Management Board Orders Issued Subsequent to the Expenditure of Funds.

As is evident from the foregoing summary, two Management Board Orders were issued in July, some three to four months after the end of the fiscal year.

One of the Management Board Orders was in the amount of \$208,000 and was issued on behalf of the Ministry of the Attorney General. The circumstances in this case were somewhat unusual. We were advised that in March 1977 Management Board of Cabinet had approved the transfer of a statutory appropriation to a voted appropriation within the Courts Administration Program. The statutory appropriation was estimated at \$215,000 in the 1976-77 Expenditure Estimates and was identified as "Allowances to Judges—R.S.O. 1970, Chap. 451 as amended"; the voted appropriation (Vote 1206-3) was estimated at \$19,353,300 and was identified as "County, District and Small Claims Courts". Provision for the necessary additional funds in this appropriation, however, required authorization by Management Board Order. This requirement, we understand, was inadvertently overlooked until July 1977. At that time an appropriate request was made and resulted in the issue of a Management Board Order dated July 12, 1977.

The other Management Board Order issued in July 1977 was in the amount of \$617,800 and was issued on behalf of the Ministry of Health. The Ministry apparently did not realize until the latter part of June that the amounts expended under the Institutional Health Services Program, specifically Vote 3002-2, had exceeded the total expenditure authorized. A request for additional funds was then prepared and resulted in the issue of a Management Board Order dated July 5, 1977.

The summary in the preceding section of this Report also indicates that a Management Board Order in the amount of \$695,000 was issued in May 1977. This Order was on behalf of the Ministry of Culture and Recreation and was dated May 16. Upon inquiry we learned that additional funds were required for payments to the Province of Ontario Council for the Arts under the Ministry's Art Support Program, Vote 2803-2, and that an authorization for commitment had been approved by Management Board of Cabinet in November 1976. However, the required authorization by Management Board Order was not requested until May 1977.

106. Special Warrants. Section 4 of The Management Board of Cabinet Act, 1971 provides for the issue of a Special Warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

Two Special Warrants were issued during the year ended March 31, 1977. The first was approved by Order-in-Council dated March 2, 1977 and authorized that the sum of \$60,000 "be issued in favour of the Honourable the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs to be placed by him to a special account against which cheques may be issued for the purpose of defraying the necessary operating costs of the Ministry for Northern Affairs for the period February 3, 1977, to the end of the 1976-77 fiscal year . . .". An amount of \$54,572 was expended.

The second Special Warrant was approved by Order-in-Council dated March 16, 1977 and authorized that the sum of \$6,250,000 "be issued in favour of the Honourable the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs to permit and to authorize the Treasurer of Ontario to advance the sum, not exceeding Six Million Two Hundred and Fifty Thousand Dollars (\$6,250,000.00) to the Ontario Transportation Development Corporation Limited. The Ontario Transportation Development Corporation Limited will deposit this amount with the Province of Ontario Savings Bank . . .". The full amount of \$6,250,000 was advanced as specified.

The money was required by The Ontario Transportation Development Corporation to guarantee the performance by the Urban Transportation Development Corporation under a joint venture agreement between the Urban Transportation Development Corporation and Hawker Siddeley of Canada Limited. The joint venture agreement and guarantee were to become effective on March 17, 1977.

COMMENTS ON CROWN AGENCY TRANSACTIONS

107. Introductory Comments. The term Crown Agency for purposes of this segment of the Report includes Boards, Commissions, Crown Corporations and other operations which are audited by the Provincial Auditor on an annual basis. Also included are similar agencies audited by public accountants subject to direction or review by the Provincial Auditor. A listing of the Agencies involved for the year ended March 31, 1977 is included as Exhibit 10 to this Report. The audit of the various Agencies was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as were considered necessary in the circumstances.

Excluded from this segment of the Report are Crown Agencies which are audited by public accountants without any involvement by the Provincial Auditor. Agencies included in this category have been noted in section 2 of this Report. Also excluded from this segment of the Report are Corporations which are specifically described as not being Crown Agencies under governing legislation. Such entities, which include Ontario Energy Corporation and The Ontario Transportation Development Corporation, are also audited by public accountants without any involvement by the Provincial Auditor. The auditors in these instances are elected by the shareholders in accordance with the provisions of The Business Corporations Act.

108. Inactive Crown Agencies. Three agencies were inactive as at March 31, 1976 and were commented upon in our 1975-76 Report (section 130). These agencies remained inactive as at March 31, 1977. We made further inquiries regarding the status of each agency:

ONTARIO DEPOSIT INSURANCE CORPORATION—On May 16, 1977 the Minister of Consumer and Commercial Relations advised:

"The status of the Ontario Deposit Insurance Corporation has not changed during the past year and the corporation remains inactive.

"While the Credit Unions and Caisses Populaires Act passed in late 1976 provided for the establishment of the Ontario Share and Deposit Insurance Corporation, to afford protection for members of credit unions, it is still considered that O.D.I.C. may possibly be called upon to protect depositors with financial institutions.

"Accordingly, I prefer to defer until a later date a decision with regard to the future of the O.D.I.C."

THE SHERIDAN PARK CORPORATION—On May 12, 1977 the Executive Director, Administrative Division, Ministry of Industry and Tourism notified us as follows:

"A Bill was prepared in 1975 to repeal the Sheridan Park Corporation Act, but unfortunately because of the heavy legislation load did not get acted upon. A similar Bill was also prepared for 1976 and 1977 but again did not get to the Legislature.

"However, the Minister informs me that he plans to introduce this at the next session, and hopefully it will get acted upon and clean up this outstanding matter."

THE ONTARIO TELEPHONE DEVELOPMENT CORPORATION—In a memorandum dated May 17, 1977 the Deputy Minister of Transportation and Communications stated:

"... the situation respecting the above mentioned corporation has remained unchanged."

"At the present time, however, there is a problem with regard to the independent telephone companies which may well require us to revive the Ontario Telephone Development Corporation. Consequently, I would appreciate it if you would defer any action in respect of the Ontario Telephone Development Corporation Act at this time."

109. Method of Audit Reporting. A report was prepared on each Crown Agency audit performed during the year and was submitted to the Agency involved and to the responsible Minister. Observations and comments were made on matters noted during the audits. Included in the reports were recommendations for improvement in internal controls and in the general efficiency of the accounting process. Matters raised which, in our judgment, are of interest or significance to the Legislative Assembly are included in subsequent sections of this Report. Not all of the subsequent comment is of critical nature; many of our comments are for informative purposes only. Generally speaking, the caption of the section will indicate whether the content is critical or informative.

Each Agency is requested to respond to our audit findings and recommendations. Relative views and opinions expressed in replies received from Agencies have been included for informative purposes without further comment by this Office, but will be reviewed during subsequent audits of the respective Agencies.

110. Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Reports. It is our practice to follow up on suggested corrective action and recommendations during our next audit of the particular Crown Agency. The status of suggested corrective action and recommendations contained in our 1975-76 Report is indicated in Exhibit 11 to this Report. Exhibit 11 also provides an update on the status of corrective action and recommendations not fully implemented per Exhibit 11 in our 1975-76 Report.

111. Commission on Election Contributions and Expenses—Statutory vs Voted Appropriations. The expenditure of the Commission totalled \$1,801,424 for the year ended March 31, 1977.

The Election Finances Reform Act, 1975, as it relates to the formation of the Commission, came into force on February 13, 1975. The Commission became operational, and its first members were appointed, on May 8, 1975.

In reviewing the 1976-77 Estimates as well as details of items which appear in Volume 1 of the 1976-77 Public Accounts, we noted that certain of the Commission's expenditures have been treated as statutory appropriations. Such expenditures consisted of the reimbursement of candidates' campaign expenses and audit fees re constituency associations and candidates. For the year ended March 31, 1977, these expenditures amounted to \$1,409,641. However, section 8 of The Election Finances Reform Act, 1975, states that "the remuneration of the members of the Commission and the expenditures required for the operation of the Commission are payable, until the 31st day of March 1976, out of the Consolidated Revenue Fund, and thereafter out of moneys appropriated therefor by the Legislature".

We realize that certain of the above expenditures are incapable of being accurately estimated in advance. In the case of such expenditures, it is necessary to apply for Supplementary Estimates if the original supply request tabled in the Legislature is insufficient.

The Chairman of the Commission responded as follows:

"... the Commission in the preparation of its budgetary requirements each fiscal year makes due provision in its submission to the Board of Internal Economy for the payment of candidate expenses and audit fee subsidies, as may be applicable, and it has been on the advice of Office of the Assembly officials that such provision for payments be designated as statutory.

"It is furthermore, our understanding, that the Board has been reluctant to ask for Legislative approval to the commitment of funds for subsidy purposes until the need was justified, i.e.—an election has been called.

"If any change in the budget procedures presently being followed—which have worked satisfactorily in two election campaigns—is deemed desirable, it is a matter to be dealt with by the Legislature and not for this Commission."

112. The Centennial Centre of Science and Technology—Administrative Changes Recommended. At March 31, 1977 the balance sheet of the Centre reflected assets of \$133,454. Liabilities, trust funds and contributed surplus totalled a like amount. During the 1976-77 fiscal year operating income and operating expenditure amounted to \$1,324,723 and \$6,076,217 respectively, resulting in a net operating loss of \$4,751,494. Net funds of \$4,746,583 provided by the Treasurer of Ontario reduced the net loss for the year to \$4,911.

We observed that components and materials recovered from exhibits replaced or dismantled are not reflected in the inventory records. Additionally, the exhibit inventory control section is not always informed when an exhibit is dismantled. As a result, 59 exhibits costing \$391,573, with estimated material cost of \$130,000 could not be located during the March 1977 exhibit inventory count.

In order to ensure adequate control over exhibits and moveable assets which make up parts of exhibits we made the following recommendations:

1. The exhibit inventory control section always be notified when exhibits are dismantled.
2. The inventory records reflect the description and cost of individual major components of exhibits.
3. A salvage report of exhibits components be forwarded to the inventory control section when major parts are replaced or when an exhibit is dismantled.

In our opinion, materials totalling approximately \$653,000 used in the production and maintenance of exhibits in the 1976-77 fiscal year are sufficiently costly to necessitate the implementation of the above recommendations.

We also observed that cleaning services for the Centre have been provided by the same company on a cost plus basis since 1969. The basis for remuneration has never been stated in a formal contract.

The cleaning staff evidently work overtime on a regular basis. This practice increases the cost of cleaning services substantially since overtime premiums have to be paid. We therefore recommended that all overtime charges be reviewed to determine their necessity. We also recommended that, in future, written quotations be requested from other cleaning companies to ensure that the Centre obtains the most advantageous terms.

The foregoing comments were transmitted to the Centre on September 30, 1977, the date of this Report. The Centre has not had an opportunity to respond to our comments and we are, therefore, unable to present its views in the matter.

113. Office of the Ombudsman—Procedural Improvements Recommended. The financial statements of the Office of the Ombudsman for the year ended March 31, 1977 reflect expenditure of \$2,809,000 and revenue of \$10,760. Expenditure are made out of moneys appropriated by the Legislature, while revenue is deposited into the Consolidated Revenue Fund.

During the course of audit we made a number of observations and recommendations. The following were included:

1976-77 Expenditure

Funds totalling \$2,300,000 were initially appropriated by the Legislature to defray the expenses of operating the Office of the Ombudsman. In December 1976, the Legislature approved supplementary funds of \$509,000, bringing the Office's total appropriation for the 1976-77 fiscal year to \$2,809,000.

In December 1976, the Office became involved in hearings relating to land acquisitions in North Pickering. Payments in respect of the hearings to March 31, 1977 totalled approximately \$100,000. These unforeseen expenditures were a factor in the Office having insufficient funds left in its appropriation to meet the remainder of its 1976-77 obligations. Consequently, approximately \$65,000 of its March 31, 1977 payroll, and certain suppliers' accounts for goods and services

received prior to March 31, 1977, had to be deferred and paid out of the Office's 1977-78 appropriation. Accordingly, reported expenditures of the Office for the 1976-77 fiscal year equalled its appropriation of \$2,809,000.

Vehicles

As at March 31, 1977 the Office of the Ombudsman owned eleven vehicles and an additional six vehicles were on lease for one year.

In our prior Report (section 141) we recommended that a policy or procedures regarding the use of vehicles be established in order to determine personal use for income tax purposes. This recommendation was not implemented and a taxable benefit was accordingly presumed for income tax purposes in the case of ten employees to whom owned or leased vehicles were assigned. The remaining vehicles were not assigned to specific individuals. We, therefore, again recommended that a policy or procedures be established to control the use of vehicles.

Telephone Charges

Long distance telephone charges totalled approximately \$13,000 during the year. In our previous Report, we recommended that the Inter-City Network of the Ontario Government, which provides a telephone service to centres outside Toronto at a lower cost than long distance dialing, be used to the greatest extent possible. A review of March 1977 charges indicated no appreciable decrease in the number of long distance calls to locations also serviced by the Inter-City Network.

In last year's Report we also recommended that a procedure be instituted for reviewing charges prior to payment. As a result, a long distance call record was implemented for approval by the directors concerned. This procedure has not, however, proved successful.

Management has advised that a Centrex system for handling and recording calls will be installed which will make it possible to identify calls by source.

Travel Expense Claims

Restaurant charges in connection with working luncheons or dinners attended by staff, and staff development meetings held in restaurants, are at present routinely authorized and approved. Under existing procedures for ministries, such payments are not allowed except in unusual non-recurring situations, or unless specific authorization has been given by the agency head.

Charges for meals appeared to be excessive in individual instances. It was also noted that charges for overtime dinners varied greatly among different members of the staff. There are no guidelines to outline the situations when such charges are acceptable.

Delays of several months in submitting expense claims were noted. Existing ministry procedures call for expense claims to be submitted at least monthly and within ten days of the end of the month.

We suggested that the Ontario Manual of Administration be followed where possible, and that procedures and guidelines be established to outline the policy of the Office in matters not covered in the Ontario Manual of Administration.

Professional Services

A senior official has continued to provide services to the Office, although his contract expired on August 31, 1976. For the period September 1, 1976 to March 31, 1977 the official was paid a total of \$17,034. We recommended that a written contract be executed to support payments to the official after August 31, 1976.

Our comments were transmitted to the Office of the Ombudsman on September 21, 1977. As at the date of this Report, September 30, 1977, the Office had not had sufficient time to respond. We are, therefore, not in a position to present the Office's views on the subject matter.

114. Ontario Housing Corporation—Improvements Recommended. The assets of the Corporation totalled \$1,490,165,089 at December 31, 1976. Liabilities totalled a like amount. For the 1976 calendar year revenue amounted to \$14,840,526 while the loss on housing operations and other expenses totalled \$66,643,025 and \$22,544,640 respectively. The financial statements of the Corporation are reproduced in Volume 2 of the 1976-77 Public Accounts.

Temporary Help Services

During the year ended December 31, 1976 the Corporation incurred the following expenditures in respect of temporary help:

	\$	%
From within Government	66,196	9.08
From outside Government	662,899	90.92
	<u>729,095</u>	<u>100.00</u>

Our review of the above expenditures revealed the undernoted deficiencies:

- the Administrative Manual of the Ministry of Housing defines temporary help as "individuals who are obtained from the Civil Service Temporary Pool or private placement agencies by the Personnel Branch for assignments to branches throughout the Ministry. This category of staff is usually required to substitute for regular employees who are on vacation or are absent due to illness, or to provide work overload assistance.

We noted forty-one cases of temporary employees being hired by the Corporation for a period ranging from five to seventy-one months, which is beyond what may reasonably be defined as temporary in nature.

- We were unable to satisfy ourselves that the Corporation's management had made genuine efforts to obtain temporary help services from the Civil Service Commission Go Temporary division before approaching outside employment agencies to supply these services. The division ad-

vised us that it was geared to accommodate 80 per cent of the Corporation's needs on request.

- We noted thirteen instances where the Temporary Employee Allocation forms did not indicate hourly rates to substantiate rates charged on invoices from agencies.
- Two of the agencies used by the Corporation failed to indicate classifications of staff supplied on their invoices, making it difficult for the Corporation's management to verify the correctness of hourly rates charged by the agencies.
- We noted that the basis of payment for overtime varied considerably between agencies and within the same agency. Certain overtime charges were made for time worked in excess of 36¼ hours and others for time worked in excess of 40 or 44 hours.

We recommended that:

- a general review of the Corporation's staff requirements and hiring be made by management to determine if the current practice of employing non-complement staff for periods in excess of what may reasonably be construed as temporary in nature is consistent with the Ministry's Administrative Manual and Management Board of Cabinet policy on manpower control.
- The Civil Service Commission Go Temporary division be utilized as much as possible, especially since rates charged by the division are more favourable than outside agencies.
- the Temporary Employee Allocation form be properly completed to enable verification of rates on invoices with agreed rates.
- the basis of payment for overtime be established at the outset with the agencies used.

Rent-Geared-To-Income Programs

Following our review of the Corporation's field manual relating to rental calculations and eligibility, we reported the undernoted comments to management:

- (1) Rent scale adjustments for services, as outlined in the Corporation's field manual, have been effective since pre-1970. These adjustments include monthly charges for the following services:

Heat	\$12 to \$15 depending upon Provincial location
Hot water	\$ 3
Water	\$ 3
Stove	\$ 1
Refrigerator	\$ 1
Electricity (family)	\$ 5
Electricity (senior citizen)	\$ 3 etc.

- (2) The definition of "Family Income" has also been effective since pre-1970 and provides for inclusion of only the first \$75 per month income of all members of a tenant family other than the family head or spouse. The definition further excludes from income, earnings of a spouse up to \$900 per annum.

We recommended that the above noted conditions be reviewed in the light of current market conditions. Management subsequently advised us that:

- rent scale adjustments for services are currently under review. Approval will be required from Central Mortgage and Housing Corporation (C.M.H.C.) before any adjustments can be effected; and,
- the Province cannot unilaterally alter the rent scale. Consequently, negotiations must take place with C.M.H.C. on this matter. To date, C.M.H.C. has not been very receptive to change, presumably because the same method of calculation is applied on a nationwide basis.

Long Distance Telephone Charges

Our review of long distance telephone charges revealed that the Province's inter-city network was not being utilized to the fullest extent possible. A general memorandum issued by the Deputy Minister of the Ministry of Housing on October 25, 1976, indicated that approximately sixty-five per cent of long distance charges were for calls between locations served by the Province's inter-city network. It is, therefore, essential that a concerted effort be made to improve controls over long distance telephone calls.

A limited review of payments for long distance telephone calls revealed that a billing for \$442, paid in February, 1976, included charges totalling \$138 for two overseas calls. We were advised by management that due to lapse of time no trace was possible to ascertain the nature of these calls. We recommended that billings for long distance telephone calls be carefully reviewed before payment is made.

Other Matters

Some of the control weaknesses commented upon in our 1975-76 Report (section 144) have not been fully corrected. For example, weaknesses in inventory and purchasing procedures noted in our 1975 review of Metropolitan Toronto District G were also evident in our 1976 review of Metropolitan Toronto District A and the St. Catharines Direct Management Office. In addition, little improvement was observed with regard to leasehold receivables and a concerted effort is required to investigate and correct discrepancies in the lease accounting system.

On August 18, 1977 the Corporation wrote to us and included the following comments:

Temporary Help Service

"Your observations with respect to the employment of temporary help service during the year ended December 31, 1976, are accepted and will

be useful during the coming year. A general review of the temporary staff employed by the Corporation was completed in the Spring of 1977 and numbers were reduced. A Cabinet submission regarding long-term temporary staff is presently under preparation and it is expected an enduring solution will result.

"The personnel policy of this Corporation is to attempt to utilize the Civil Service Commission Go-Temporary division to the fullest extent possible.

"Corrective action has been taken to ensure that temporary employee allocation forms are now properly completed to enable verification of rates on invoices with rates agreed to between the Personnel Branch and the temporary agency. The basis of overtime compensation is now being established at the outset of the contracts with the agencies, as you have recommended.

Rent-Geared-To-Income Programs

- (1) "Your observation with respect to charges for services is acknowledged. A study of all such charges is now nearing completion and a submission will be made to CMHC later this year with recommended rate changes.*
- (2) "The definition of family income referred to relates to the National Rent-Geared-To-Income scale. This rent scale has been reviewed repeatedly with CMHC over the past three years, and to date a replacement scale has not yet been developed. Negotiations with CMHC will continue.*

Long Distance Telephone Charges

"We are in agreement with your observations that more effective control over long-distance telephone calls is required. Considerable progress has been made during the past twelve months and the dollar value of such calls has been reduced substantially through increased use of the Inter-City Network. Under current procedures, all out-of-province calls are referred for the comments of the appropriate Branch Directors immediately upon receipt of telephone billings. Further improvement is expected during the next several months."

115. Ontario Land Corporation—Operational Improvements Recommended. At March 31, 1976 the assets of the Corporation amounted to \$338,443,992. Liabilities totalled a like amount. The financial statements of the Corporation are reproduced in Volume 2 of the 1976-77 Public Accounts.

Further to our 1975-76 Report (section 151) we continued to observe procedural deficiencies during the course of audit. Included were the following:

Financial Reporting

- (a) Appropriate financial reports are not prepared on a regular, formal basis during the year for review by the Corporation's Board. Thus, the

Board may not be continuously aware of revenue and expenditure made throughout the year.

- (b) Due to the lack of interim financial data referred to in (a) above, no regular, formal comparison is made between budgeted revenue and expenditure and actual revenue and expenditure.

We believe the Corporation should prepare, for critical review, quarterly financial reports by land assembly. These reports should be prepared on a comparative basis to budget.

In addition to the regular financial reports, information of a non-financial nature should also be reviewed. This supplementary information could include details on the number of acres purchased, leased, leasable but vacant, etc. Information of this nature will aid in evaluating the effectiveness of the Ministries that act on the Corporation's behalf in their present role as property manager.

Management Agreements

The presently existing management agreements are deficient inasmuch as they do not document adequate guidelines for financial reporting. The management agreements remain general rather than specific documents. Although it had initially been agreed to develop detailed written guidelines to regulate the conduct of affairs between the particular parties, no such guidelines have as yet been prepared.

We recommended that the management agreements be amended or redrawn to define specifically both the types of records that are to be maintained and the reporting requirements that are to be fulfilled by the said Ministries.

Land Acquisitions

The Ministries performing duties under the management agreements have no apparent operating mechanisms in place to account for funds advanced to and received from lawyers for land acquisition. For example, cheques have been received by the Corporation from lawyers who acted on behalf of the Corporation for and acquisitions. The responsible Ministries did not forward to the Corporation any indication that the amount of the cheque was appropriate or correct. No review was performed at the Corporation to ensure that the amount was correct, nor would it have been possible for the Corporation officials to have performed this review due to the limited documentation available to them.

Accordingly, we recommended that all funds advanced to lawyers for land acquisition and any advances or balances thereof returned to the Corporation be reviewed and approved beforehand by the Ministries. This review would include comparing the funds advanced to the final statement of adjustments for properties purchased, balancing funds returned to the original amount advanced and to the final purchase cost for the particular property, and ensuring that the interest earned on the excess advance is reasonable.

Land Sales—North Pickering

The Corporation officials presently perform little or no review of North Pickering land sales made by the managing Ministry. Many of the land sales are

made through sell-back or buy-back arrangements. These arrangements provide for the property to be sold back to the original vendor or others at either the original cost or the original cost plus accrued charges. As well, the government may sell other properties at fair market value. Although these sale arrangements are in accordance with government policy, they are nevertheless somewhat complex and must be carefully controlled.

Due to the complexities detailed above, we believe the Corporation directors or officials should review all land sales to ensure that proper sales prices and terms are being obtained.

General

As we commented last year, many of the aforementioned matters indicate the need for a better reporting system. To this extent, we still believe it would be beneficial if some type of central reporting authority were instituted. This would provide the means by which queries or follow-up work could be handled. Similarly, by insisting on better and more current reporting functions, the Corporation could reduce unnecessary after the fact efforts to clear up problem areas.

The preceding comments were transmitted to the Corporation on September 2, 1977. As at the date of this Report, September 30, 1977, the Corporation had not had sufficient time to respond. We are, therefore, unable to present the Corporation's views on the subject matter.

116. Ontario Northland Transportation Commission—Labour Utilization Study and Audit Recommendations. At December 31, 1976 the assets of the Commission amounted to \$163,836,073. Liabilities totalled \$120,693,826 while retained income and contributed surplus were in the amounts of \$34,384,471 and \$8,757,776 respectively. For the 1976 calendar year revenue, including subsidies of \$6,057,987 from the Province of Ontario and \$2,355,618 from the Government of Canada, totalled \$54,086,325 while expenses amounted to \$51,258,391. The financial statements of the Commission are reproduced in Volume 2 of the 1976-77 Public Accounts.

In the course of audit we noted that an independent labour utilization study, which commenced in November 1975, was completed in October 1976 at a total cost of \$162,000. In the agreement dated October 21, 1975, the management consultants indicated that their study would generate labour cost savings from \$260,000 to \$270,000 during the first and each succeeding year following the implementation of their engineering program. The agreement also guaranteed that the savings accruing to the Commission would, in the year following the completed installation, equal or exceed fees paid or the consultants would refund the difference.

Management has advised that annual savings at the present time are estimated at \$200,000. However, judging from information available, this estimate includes savings resulting from certain staff reductions which were due to a decision by management to improve the Commission's financial situation generally, and not as a result of the independent study.

We noted that an interim examination of the results of the study was to be conducted by the Commission's Audit Committee in the near future. We recommended that the examination be exhaustive enough to establish clearly the amount of annual savings resulting from the study to ensure that the consultants had complied with the terms of their agreement.

We further indicated that in future, to comply with the provisions of the Province of Ontario Manual of Administration, specific approval should be obtained from the Management Board of Cabinet before committing to management consulting projects where estimated total costs are expected to exceed \$100,000.

The following recommendations were also made:

Greater care be exercised in adhering to established tendering procedures and that reasons for deviations be documented and retained on file.

Ongoing agreements, such as the agreement with a firm dated November 8, 1974 for the supply of journal bearings be reviewed periodically for price changes and new suppliers. This would ensure that the Commission was obtaining all possible savings accruing to it through the competitive tendering process.

Consideration be given to a feasibility study to determine the economic benefits of volume purchasing of such items as food, souvenirs, plastic cups, etc., for all of the satellites of the Commission and its wholly-owned subsidiaries.

On May 26, 1977 the Chairman of the Commission's Audit Committee responded to the foregoing comments as follows: *

"Management has completed its report on the results of the consultants' study in respect to labour cost reductions, and has concluded that the savings realized were in excess of the fee charged by the consultants and that no further action is required."

"In future, commitments for management consulting projects in excess of \$100,000 will be submitted to the Management Board of Cabinet for prior approval."

and

"The above-mentioned recommendations and suggestions have been acted upon."

17. Ontario Place Corporation—Weaknesses in Internal Control. At March 31, 1977 the balance sheet of the Corporation reflected assets of \$176,217, liabilities of \$157,703 and retained income of \$18,514. During 1976-77 the Corporation's income and expenditure amounted to \$7,252,713 and \$7,243,703 respectively. The former figure included operating and capital grants totalling \$2,797,000 from the Province of Ontario.

Marina Operations

During the year ended March 31, 1977 income from Marina operations was

approximately \$175,000. We analysed these operations and found certain control deficiencies.

The marina manager has the responsibility for both the billing and receiving of contract revenue. The billing system, which employs unsigned pre-numbered contract forms as an invoicing medium, further hampers the control of revenue, since we have been advised that all patrons do not return the contract forms. Without an accounting of the numerical sequence of these forms, it is not possible to ensure that all revenues have been recorded.

In order to relieve the marina manager from his dual duties we recommended that the finance department assume responsibility for mailing the contracts to clients and for receiving the mailed-in revenues. The marina department would continue to prepare the contracts, but would forward them to the finance department for mailing and verification of numerical sequence.

Our examination also included a check on the sequence of the pre-numbered daily dockage receipts. Twenty-three receipts, representing 5 per cent of the sample tested, could not be accounted for. Again, as in the case with the contract revenues, because of missing receipts it is not possible to ensure that all revenues have been recorded.

Accordingly, we recommended that the responsibility for the control of the receipt forms be assigned to revenue office personnel, who, in conjunction with their revenue control duties, could account for the numerical sequence of the dockage receipts. Further, we urged that both the original and the copy of any cancelled receipt forms be retained.

Other revenues associated with the Marina result from the sale of certain parking and guest passes. For the year ended March 31, 1977, the revenue from these sales was not reconciled with the issuance of the passes. Since the cash value of the passes makes it imperative to account for their usage, we therefore recommended that the Corporation reconcile such revenue.

General

As at the completion of our audit, July 18, 1977, charges of breach of trust and fraud have been laid against the Corporation's Director of Programming, now under suspension, and the Corporation's former Director of Construction, Planning and Maintenance. A charge of fraud has also been laid against an individual not employed by the Corporation. Such charges relate to the alleged misappropriation of Corporation funds between May 1971 and September 1976. Trials relating to the above charges had not yet been held.

Additionally, during the year ended March 31, 1977 the Corporation's former Forum Operations Manager was convicted of fraud for his part in the misappropriation of certain Corporation funds during the 1974 and 1975 seasons. Two other individuals (not employees of the Corporation) were also convicted of fraudulently billing the corporation for non-existent services. In connection with the latter two individuals, full restitution in the amount of \$15,879 was made to the Corporation.

With respect to Marina operations, the Corporation subsequently advised that:

"... control over the seasonal and monthly slip contracts will be the responsibility of the Finance Department beginning with the contracts to be issued next season; as for the daily dockage receipts, the system was changed immediately following your audit to place control over the forms in the hands of revenue audit personnel, and I am assured that in future voided bills will be retained for audit.

"Control over parking passes now rests with the Finance Department. Issuance of Marina passes will continue to be handled by the Marina office; there will however, be an accounting for their usage to separate those issued free of charge from those issued for cash, and revenue will be properly reconciled."

118. The Province of Ontario Savings Office. At March 31, 1977 assets of the Savings Office totalled \$339,324,364 with corresponding liabilities of \$339,218,665 and reserve of \$105,699. For the 1976-77 fiscal year revenue and expenditure amounted to \$28,084,722 and \$27,300,780 respectively. The balance sheet of the Savings Office is reproduced in Volume 1 of the 1976-77 Public Accounts, page 57.

Amounts received from the public are held in individual accounts on which interest is paid, and on which the depositor may draw cheques. Funds in excess of the day-to-day requirements of the Savings Office are deposited with the Treasurer of Ontario. During 1976-77 the Savings Office provided the Treasurer of Ontario with funds averaging in excess of \$265,000,000. The ratio of net operating cost to the average funds so provided was calculated at 8.65 per cent. By comparison, we were advised that the average cost of long-term provincial borrowing for the year was 9.93 per cent.

The Agricultural Development Finances Act makes no provision for the making of loans, either directly or by way of overdraft. As was noted in our 1975-76 Report (section 148), in one branch of the Savings Office certain Ministries are at times carrying substantial overdraft balances on which no overdraft interest is being charged. At March 31, 1977 such overdrafts totalled approximately \$4,183,000. We again recommended that the practice of allowing such overdrafts be discontinued, and that the Ministries be so advised.

119. Soldiers' Aid Commission—Questionable Need for Grants Received. As at March 31, 1977 the assets of the Commission were in the amount of \$188,475. Surplus totalled a like figure. During the 1976-77 fiscal year the Commission's revenue and expenditure were in the respective amounts of \$46,222 and \$30,377. The former figure included a grant of \$35,000 from the Province of Ontario.

As at March 31, 1977 the surplus of the Commission consisted of cash in the amount of \$40,759 and investments of \$147,716. A review of the Estimates for the 1977-78 fiscal year indicates that, as in previous years, provision has been

made for a grant to the Commission via the Ministry of Community and Social Services. This grant has been estimated at \$35,000.

Taking the Commission's existing surplus into consideration, we recommended that a Ministry decision be made as to the timing of grant payments to the Commission, i.e. whether such grants should be paid without reference to the Commission's financial position, as presently appears to be the case, or whether such payments should be deferred until such time as there is a definite need for the funds.

The Commission subsequently commented as follows:

"In view of the present Government constraint programme, your Auditor's recommendation regarding a Ministry discussion as to the timing of grant payments is indeed relevant. The Commission's only concern in this regard is that a precedent may be set during the period of surplus that would adversely affect our operation in future years when surplus from the investment funds are no longer available."

120. Star Transfer Limited—Improvements Recommended. As at December 31, 1976 the assets of the Company totalled \$5,631,900. Liabilities and reserves amounted to \$3,187,651, while capital and retained income totalled \$2,444,249. For the 1976 calendar year revenue and expenses, including retirement of the unfunded liability (\$595,839) of the contributory pension plan, amounted to \$8,143,233 and \$8,542,238 respectively.

Star Transfer Limited was incorporated as a private company on January 2, 1951, and was subsequently purchased by the Ontario Northland Transportation Commission under an agreement dated July 11, 1960. Since that time Star Transfer Limited has operated as a wholly-owned subsidiary of the Commission, and has provided trucking service throughout northeastern Ontario.

Our audit of the Company's records included a review of the accounting procedures and system of internal control. We felt that the following recommendations would strengthen existing procedures and related controls:

- (a) payrolls be subject to review and final approval by the financial controller and evidenced in writing, to provide internal check in a system where segregation of duties is limited;
- (b) adequate procedures be documented and appropriate personnel advised to ensure that unclaimed wages are promptly recorded, re-deposited within a reasonable time, and subject to review by the financial controller;
- (c) as a safeguard against irregularities, the control of unused cheques be reassigned to one who does not sign cheques, control the facsimile signature plate, or operate the cheque signing machine;
- (d) terminal bank accounts be reconciled monthly to verify receipts transferred from terminals;

- (e) long outstanding cheques be investigated, and if necessary, cancelled by stop payment;
- (f) pro bills, summarized on the computer generated list devised to detect and correct billing errors and omissions, be followed up on a timely basis;
- (g) petty cash vouchers and attachments be cancelled to prevent their reuse.

Certain of the above recommendations were also covered in an internal audit report dated January 5, 1977.

At year end the accounts receivable aged analysis revealed that approximately \$138,000 was past due 90 days and over. We recommended that collection efforts be increased to reduce as far as possible the additional working capital required to meet this situation. Additionally, a review of the current collection procedures and related correspondence indicated that a well defined and co-ordinated collection policy should be developed, approved, and implemented as soon as possible.

The Chairman of the Audit Committee of the Ontario Northland Transportation Commission replied to our comments on May 24, 1977:

"All of the observations outlined above are acknowledged and the recommendations have been put into effect."

and

"A concerted effort is being made to reduce the amount of outstanding accounts receivable, particularly those that have been outstanding beyond a reasonable time."

"In addition, the collection procedures are being reviewed in order to develop a well-defined collection policy."

121. Workmen's Compensation Board—Procedural Recommendations. At December 31, 1976 the assets of the Board totalled \$913,509,000. Liabilities totalled \$1,417,063,000 resulting in an unfunded liability of \$503,554,000. For the 1976 calendar year income and expenses amounted to \$514,735,000 and \$500,271,000 respectively.

Our report to the Board on the audit for the year ended December 31, 1976 included numerous observations and recommendations. The following were included:

Electronic Data Processing (EDP)

The workload created by the need to 'accept and package' new systems is causing a considerable drain on the staff resources of the Board's Data Control Section. The equivalent of four Application Co-ordinators and two and one half Data Control Clerks are cited as being involved in these activities. These figures represent 100 per cent of the Co-ordinators and 50 per cent of the Clerks.

In order to cope with implementing the new systems, Data Control procedural improvements such as procedure writing, schedule preparations, and documentation maintenance are not being done. These improvements should not be delayed. A careful review of cause and effect should be made in order to alleviate present and future problems in resources allocation. Problem possibilities include incomplete work in the systems development area, and/or unrealistic implementations timing, and/or staffing levels in Data Processing.

An internal audit report of March 7, 1977 details considerable default in off-site cycling of data files. The report includes the statement that "It would appear that the contents of the offsite storage facilities are inadequate to recreate lost, destroyed, or damaged critical data files. This facility does not contain all current versions of critical user data files". Internal audit also issued an interim memorandum on the subject of off-site storage on March 4, 1977. It stated, in part, that "In the event of a major disaster in our computer centre the Board would be in the position of being unable to reproduce information critical for continued operation". We feel that it is important that users, information systems and data processing personnel, and internal audit staff work together to collectively identify key data files, as off-site file storage is a vital safeguard.

The internal audit routines related to Data Processing do not appear to be completely documented, and several routines are imbedded in a questionnaire format which tends to promote their being conducted together. We recommended that the routines be reviewed and individually documented as to purpose, nature and timing. Particular attention should be paid to the scheduling of operational compliance reviews such as those related to the tape library, off-site storage, documentation, and data control. We believe each of these areas should be reviewed four times a year. In addition, the internal audit staff should keep abreast of systems maintenance activities in the same way as systems development is being monitored. In our opinion, the redesign of the EDP Audit Program should be scheduled for early completion.

Internal Audit

The importance of independence of an internal audit department may in part be reflected by some of the pronouncements made by The Institute of Internal Auditors as follows:

"Independence is essential to the effectiveness of the internal auditing program."

"The organizational status of the internal auditor and the support accorded to him by management are major determinants of the range and value of the services which management will obtain from the internal auditing function."

"Maximum independence can be assured the internal auditor by having him report to the president, or even the board of directors."

Currently, the organization structure within the Workmen's Compensation Board is such that the head of the Board's internal audit department reports directly to the Executive Director of Financial Services. Since the Executive

Director is very much involved within the financial framework of the Board's activities, we believe that the independence of the internal auditor, especially within the Department of Financial Services, may potentially be weakened.

The internal audit department each year establishes a program of audits to be conducted during that year. We have been made aware that the program so established for 1976 was largely neglected due to internal audit personnel being assigned to various accounting matters because of a shortage of staff within certain of the Board's departments.

We have been advised that approval in principle has been given by the Board to establish an Audit Committee and that the terms of reference of such a committee are now being formulated.

We recommended the following be included within the terms of reference of the internal audit department:

- (i) That the internal audit department report directly to the audit committee.
- (ii) That a member of the internal audit department be consulted from time to time by committees established within the Board relating to system design and application.
- (iii) Since objectivity is essential to the internal audit function, the internal auditor should not be directly involved in developing and installing procedures and maintaining complete responsibility for the preparation of records on which he will eventually be commenting after the completion of his audit.

Assessment Rates

The Silicosis Fund operates as a fund within the Schedule 1 Accident Fund. Specific employers, as reflected under the Board's applicable rate numbers, are charged assessments relating to this disease. Benefits paid to the employees contacting the disease are an expense of this Fund.

During 1976 the Board substantially increased its assessment rates to the above employers, with a more significant increase (\$3.00 for 1975 to \$10.00 in 1976) being levied on the uranium mining industries. We were informed by the Board that this increase was partially influenced by a clerical oversight, in that the 1975 assessments were not issued until 1976. Accordingly, it appears that the 1976 rates were established without taking into consideration the 1975 assessment income, which was recorded during 1976.

Upon reviewing the assessment rates for 1977 we found that the \$10.00 rate will still be retained. Further, upon reviewing the significant growth within the Silicosis Fund from 1975 to 1976 from approximately \$5,000,000 to \$8,200,000, and anticipating future assessments and claim payments, the level of funding appears to have changed. As a result an excess burden may be levied on the applicable employers at the present time. Since the 1977 assessment rates have already been established we suggested that the Board review, in greater detail,

the silicosis assessment rates for 1978 and implement changes where it considers it to be appropriate.

The Ontario Ministry of Labour, subsequent to an Order in Council, may, on an annual basis, require the Board to levy a special assessment under section 29 of The Construction Safety Act, 1973, upon Schedule 1 employers in order to defray the estimated expenses of the administration of The Construction Safety Act.

Since 1974 the Ministry of Labour has established a total requirement for the above purpose amounting to \$6,700,000 and as a result of this requirement the Board, on behalf of the Ministry of Labour, has levied and received \$7,115,000 from the employers in Schedule 1. The above activities from 1974 to the end of the Board's 1976 fiscal year resulted in an overlevy of \$415,000 to Schedule 1 employers.

We suggested that the above overlevy should be taken into consideration when establishing the 1977 special assessment rates relating to Schedule 1 employers. If this was not possible due to the finalization of the 1977 assessment rates, we recommended that in subsequent years, as requirements are established by the Ministry of Labour, previously overcollected or undercollected amounts be taken into consideration when special assessments are made.

Board Minutes

The Board is in the practice of approving investment transactions by way of minutes. An attempt was made to agree the investment transactions as detailed in the investment reports with the transactions that were ratified within the minutes of the Board. The following discrepancies were noticed:

- (i) The total purchases for the week ending March 12, 1976 in both the Superannuation and the Schedule 1 Accident Funds amounted to \$11,750,000, of which \$3,500,000 related to superannuation investment purchases. In the minutes of the Superannuation Fund the Board ratified purchases totalling \$11,750,000 rather than \$3,500,000.
- (ii) For the week ending January 30, 1976 the Board approved investment purchases totalling \$4,000,000, whereas this transaction was recorded in the investment report, maintained in the investment department, as sales of that week.

In the above cases the discrepancy occurred when information was transferred from the investment reports to the minutes of the Board, with the result that the Board was ratifying incorrect information. We also noted that most of the minutes of the Superannuation Fund were not signed.

In view of the foregoing, we recommended that the Board review the adequacy of information which it authorizes and that all minutes of Board meetings should be signed by the designated Board members.

With respect to the foregoing comments the Board subsequently wrote to us as follows:

Data Processing

"The implementation of new systems was expected to place a strain on all staff resources, not just that of the Control Section. Staff changes were made in January 1977 and a project team was created to ensure satisfactory documentation and that the computer programs were operational.

"This situation is constantly under review, however it is anticipated that resources will be tight for at least another year.

"There is an on-going evaluation to protect data files. We are currently cycling all disk files off-site weekly and DOS tapes weekly except Payroll, which is done monthly.

"The new OS systems are being evaluated for cycling data files off-site as installed.

"Data Processing audit routines are under review and their frequency will be determined by availability of resources."

Internal Audit

"Although I believe that the degree of independence being suggested may be theoretically ideal, I question whether it can ever be attained in practice by an Internal Audit Branch. It is my understanding that court cases in the USA and Britain have found that an independent firm of public accountants is not independent when too large a percentage of its fees comes from one client. I also understand that the Canadian Institute of Chartered Accountants has similar misgivings regarding the question of the independence of actuaries.

"However the Board has taken two steps to secure a more impartial review of its financial affairs by giving direct access to the Management Committee to the Director of Internal Audit should he believe it necessary and by the creation of an Audit Committee which of course will have the right to discuss the financial affairs of the Board with both the Internal and External Auditors without the Executive Director, Financial Services being present.

"As you, through your nominee, have been asked by the Board to assist in determining the duties and responsibilities of the Audit Committee, any suggestions you have as to the terms of reference of the Internal Audit Branch should be addressed to that Committee."

Assessment Rates

"There was a clerical error in 1975 which resulted in 1975 silicosis charges not being issued until 1976. Under the new assessment system 1977 silicosis assessments were issued automatically by the computer when the firm's regular assessment was issued.

"... , we note the suggestion with regard to reviewing the silicosis rates for 1978 in greater detail. It is perhaps relevant to note that, as for all

rates, we will continue to consult with the appropriate section of industry prior to establishing the 1978 assessment rates. This consultation includes a presentation of all relevant fiscal results and our interpretation of them.

"The overlevy will be taken into consideration when establishing the 1978 percentage."

Board Minutes

"The Provincial Auditor noted two discrepancies in the Board Minute Books relating to investments and these were promptly corrected at the time of the inspection.

"In late 1975, the system for transmitting reports on investment transactions from the Financial Services Division to the Board for ratification was undergoing change. While the weekly reports which the Board Members then ratified by signature for the Corporate records were accurate, two errors occurred in the transference of the data from the report to the Minute books. This resulted from a format change in the transmittal documents and the format was subsequently improved for greater clarity. No errors have occurred since.

"In addition the system for proof reading of entries in the minute books has been revised to ensure absolute validity.

"Minute books are always signed after the event and on occasion due to absences or work volume, the monthly signing has been delayed. This situation has also been corrected and Minute books are now being signed regularly."

ACKNOWLEDGEMENTS

In conclusion I wish to acknowledge, with sincere appreciation, the courtesy and co-operation extended to this Office by officials and staff of the ministries, agencies and Crown corporations during the conduct of the audit.

I also commend and offer my thanks to my own staff for loyalty and devotion to their duties during the year.

A handwritten signature in dark ink, appearing to read 'F. N. Scott', written in a cursive style.

Toronto, September 30, 1977.

F. N. Scott, C.A.,
Provincial Auditor.

EXHIBITS

1. Statement of Consolidated Revenue Fund, Year Ended March 31, 1977.
2. Statement of Assets and Liabilities as at March 31, 1977.
3. Statement of Revenue, Year Ended March 31, 1977.
4. Statement of Budgetary Expenditure, Year Ended March 31, 1977.
5. Monthly Summary of Budgetary Expenditure by Ministry, Year Ended March 31, 1977.
6. Management Board Orders—Amounts Authorized and Expended Thereunder during the Year Ended March 31, 1977.
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Office of Provincial Auditor

8. Organization Chart.
9. Revenue and Expenditure Audits, Year Ended March 31, 1977.
10. Crown Agency Audits, Year Ended March 31, 1977.
11. Status of Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Reports.
12. Status of Recommendations Contained in the Reports of the Standing Public Accounts Committee to the Legislative Assembly.

EXHIBIT 1

STATEMENT OF CONSOLIDATED REVENUE FUND

Year ended March 31, 1977

	1977	1976
	\$	\$
OPENING BALANCE		
Cash, temporary investments and marketable securities	1,031,041,384	856,301,037
BUDGETARY TRANSACTIONS		
Revenue	10,692,519,473	9,152,266,682
Expenditure	11,921,237,211	10,632,241,331
Budgetary Deficit	(1,228,717,738)	(1,479,974,649)
NON-BUDGETARY TRANSACTIONS		
Loans, Advances and Investments		
Receipts	265,374,793	248,423,019
Disbursements	907,291,213	1,305,052,595
Net Increase in Loans, Advances and Investments	(641,916,420)	(1,056,629,576)
Trust Administration Functions		
Credits	398,826,405	307,399,011
Charges	116,525,210	99,380,533
Net Increase in Trust Administration Functions	282,301,195	208,018,478
Non-Budgetary Transactions (net)	(359,615,225)	(848,611,098)
CASH REQUIREMENTS*	(1,588,332,963)	(2,328,585,747)
DEBT TRANSACTIONS		
Proceeds of Loans**	1,691,563,565	2,620,101,669
Retirements of Loans	330,336,294	116,775,575
	1,361,227,271	2,503,326,094
CLOSING BALANCE		
Cash, temporary investments and marketable securities	803,935,692	1,031,041,384

*Includes advances to and repayments from Ontario Hydro.

**Includes borrowing activities on behalf of Ontario Hydro.

See accompanying Summary of Significant Accounting Policies (pages 6-7) and Schedules to Statement of Consolidated Revenue Fund on pages 14 to 28.

Referenced page numbers are to Volume 1 of the 1976-77 Public Accounts.

**PROVINCE OF
STATEMENT OF ASSETS AND**

Assets

	<i>1977</i> \$	<i>1976</i> \$
Cash, temporary investments and marketable securities	803,935,692	1,031,041,384
Advances to Ontario Hydro	2,556,735,540	2,307,056,636
Advances and investments—other corporations, boards and commissions	4,333,222,881	4,102,188,993
Investments in water treatment and waste control facilities (at cost less recoveries)	780,556,952	666,210,360
Loans to municipalities	299,568,343	271,790,254
Other loans and investments	256,511,016	237,432,069
Total recorded assets	<u>9,030,530,424</u>	<u>8,615,719,696</u>
Net debt	<u>6,156,761,970</u>	<u>4,928,044,232</u>
	<u>15,187,292,394</u>	<u>13,543,763,928</u>

See accompanying Summary of Significant Accounting Policies on pages 6-7 and Schedules to Statement of Assets and Liabilities on pages 29 to 46.

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs.

A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.

G. McINTYRE, F.C.A., Executive Director, Treasury Division.

Referenced page numbers are to Volume I of the 1976-77 Public Accounts.

EXHIBIT 2

ONTARIO
LIABILITIES AS AT MARCH 31, 1977

Liabilities		
	1977 \$	1976 \$
Deposits with The Province of Ontario Savings Office	339,218,665	286,726,596
Pension funds	1,140,114,062	951,227,021
Deposit, trust and reserve accounts	228,325,489	187,403,404
Advances payable	75,304,774	60,573,087
Treasury bills	130,000,000	325,000,000
Debentures and notes	13,274,329,404	11,732,833,820
	<u>15,187,292,394</u>	<u>13,543,763,928</u>
Contingent liabilities: bonds, debentures and loans guaranteed by the Province	5,734,631,542	5,027,075,146

I have examined the Statement of Assets and Liabilities, and related schedules, of the Province of Ontario as at March 31, 1977 and the Statement of Consolidated Revenue Fund, and related schedules including the Statement of Revenue and the Statement of Budgetary Expenditure, for the year ended on that date. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Province as at March 31, 1977 and the results of its operations and the changes in its financial position for the year then ended. The financial statements were prepared in accordance with generally accepted accounting principles which, except for the changes in accounting treatment outlined on page 7 of Volume 1 of the Public Accounts, were applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are described under the heading of "Summary of Significant Accounting Policies" on pages 6-7 of Volume 1 of the Public Accounts.

In accordance with section 20 of The Audit Act, a report will be made to the Legislative Assembly.

Toronto, September 30, 1977

F.N. Scott, C.A.,
 Provincial Auditor

STATEMENT OF REVENUE

Year ended March 31, 1977

	1977 \$	1976 \$
RECOVERY OF PRIOR YEARS' EXPENDITURES	11,694,795	14,303,644
TAXATION		
Personal Income Tax	1,782,197,362	1,571,155,810
Retail Sales Tax	1,775,114,499	1,327,637,412
Corporation Taxes	1,001,722,894	1,140,039,319
Gasoline Tax	507,844,279	505,098,008
Federal Government Income Tax Revenue Guarantees	495,513,000	255,499,000
Tobacco Tax	157,328,462	104,102,675
Mining Profits Tax	41,652,820	63,081,453
Other	244,595,254	238,564,994
	6,005,968,570	5,205,178,671
ROYALTIES	42,138,982	40,349,567
FEES, LICENCES AND PERMITS	412,651,192	327,823,920
FINES AND PENALTIES	51,436,568	46,504,400
PROFITS FROM CROWN CORPORATIONS AND BOARDS		
Liquor Control Board of Ontario	302,195,807	333,500,000
Ontario Lottery Corporation Wintario	76,000,000	42,000,000
	378,195,807	375,500,000
PUBLIC DOMAIN	2,780,379	2,599,868
SALES—LAND AND BUILDINGS	14,380,651	7,742,180
SALES—OTHER	10,554,009	7,454,357
FACILITIES	24,825,123	21,437,541
PREMIUMS—ONTARIO HEALTH INSURANCE PLAN	798,656,250	572,521,648
UTILITY SERVICE CHARGES	35,775,753	32,421,830
MISCELLANEOUS	13,361,208	5,932,763
GOVERNMENT OF CANADA		
Reimbursements of Expenditures		
Hospital Insurance and Diagnostic Services Act—		
hospital operations	1,027,042,237	848,620,261
Canada Assistance Plan	471,708,256	443,938,609
Medical Care Act	359,962,821	287,661,054
Post Secondary Education Adjustment Payment	189,859,080	167,473,085
Other	181,557,682	176,297,806
	2,230,130,076	1,923,990,815
Other—Miscellaneous Payments	5,679,391	5,693,087
	2,235,809,467	1,929,683,902
REIMBURSEMENTS OF EXPENDITURES	31,093,454	29,785,926
INTEREST	623,197,265	533,026,465
REVENUE	10,692,519,473	9,152,266,682

EXHIBIT 4

STATEMENT OF BUDGETARY EXPENDITURE

Year ended March 31, 1977

	1977 \$	1976 \$
GENERAL GOVERNMENT—		
Office of the Lieutenant Governor	92,597	93,092
Office of the Assembly	16,751,833	30,310,311
Office of the Premier	1,442,526	1,337,101
Cabinet Office	1,002,099	942,628
Management Board of Cabinet	8,140,450	7,503,587
Office of Provincial Auditor	1,706,630	1,544,261
Office of the Ombudsman	2,809,000	1,297,044
Government Services	295,679,743	288,380,837
Northern Affairs	57,334	
Revenue	197,869,618	172,995,073
Treasury, Economics and Intergovernmental Affairs	1,580,635,395	1,288,603,094
JUSTICE POLICY FIELD—		
Justice Policy	367,904	353,200
Attorney General	118,916,190	100,491,692
Consumer and Commercial Relations	60,488,416	43,337,457
Correctional Services	144,651,904	122,338,819
Solicitor General	143,723,061	128,018,608
RESOURCES DEVELOPMENT POLICY FIELD—		
Resources Development Policy	3,045,549	2,326,322
Agriculture and Food	165,636,082	151,787,711
Energy	3,679,707	3,480,519
Environment	98,808,847	82,956,640
Housing	157,195,188	191,951,233
Industry and Tourism	56,247,463	50,151,057
Labour	20,461,236	19,044,309
Natural Resources	239,442,268	207,658,476
Transportation and Communications	966,023,608	964,207,211
SOCIAL DEVELOPMENT POLICY FIELD—		
Social Development Policy	2,001,461	1,755,226
Colleges and Universities	1,157,565,831	1,019,134,305
Community and Social Services	947,097,501	881,473,684
Culture and Recreation	144,020,494	108,542,683
Education	1,984,215,051	1,775,584,142
Health	3,401,462,225	2,984,641,009
	<u>11,921,237,211</u>	<u>10,632,241,331</u>

MONTHLY SUMMARY OF BUDGETARY EXPENDITURE BY MINISTRY

Year ended March 31, 1977

(\$000's)

(See Note 1)

EXHIBIT 5

MINISTRY	APRIL 1976	MAY 1976	JUNE 1976	JULY 1976	AUG. 1976	SEPT. 1976	OCT. 1976	NOV. 1976	DEC. 1976	JAN. 1977	FEB. 1977	MARCH 1977 (Note 2A)	TOTAL 1976-77
Office of the Lieutenant Governor	3 3.3%	4 4.4%	5 5.4%	14 15.2%	7 7.6%	12 13.1%	6 6.5%	5 5.4%	5 5.4%	6 6.5%	13 14.2%	12 13.0%	92 100%
Office of the Assembly	2,027 12.1%	1,000 6.0%	1,091 6.5%	1,000 6.0%	1,000 6.0%	2,000 11.9%	573 3.4%	2,000 11.9%	500 3.0%	1,000 6.0%	2,500 14.9%	2,061 12.3%	16,752 100%
Office of the Premier	64 4.4%	78 5.4%	129 8.9%	97 6.7%	91 6.3%	174 12.1%	88 6.1%	116 8.1%	128 8.9%	54 3.7%	135 9.4%	289 20.0%	1,443 100%
Cabinet Office	48 4.8%	54 5.4%	87 8.7%	71 7.1%	65 6.5%	112 11.1%	70 7.0%	93 9.3%	71 7.1%	56 5.6%	68 6.8%	207 20.6%	1,002 100%
Management Board of Cabinet	876 10.8%	1,230 15.1%	606 7.4%	622 7.6%	712 8.7%	294 3.6%	696 8.6%	1,277 15.7%	648 8.0%	74 1.0%	678 8.3%	427 5.2%	8,140 100%
Office of Provincial Auditor	99 5.8%	107 6.2%	128 7.5%	131 7.7%	114 6.7%	197 11.5%	123 7.2%	150 8.8%	151 8.8%	146 8.6%	114 6.7%	247 14.5%	1,707 100%
Office of the Ombudsman	137 5.0%	313 11.1%	150 5.3%	200 7.1%	200 7.1%	200 7.1%	400 14.3%	200 7.1%	200 7.1%	300 10.7%	300 10.7%	209 7.4%	2,809 100%
Government Services	27,974 9.5%	28,340 9.6%	28,357 9.6%	13,068 4.4%	14,353 4.9%	17,857 6.0%	22,171 7.5%	19,479 6.6%	16,295 5.5%	25,547 8.6%	30,184 10.2%	52,055 17.6%	295,680 100%
Northern Affairs	—	—	—	—	—	—	—	—	—	—	—	57 100%	57 100%
Revenue	13,495 6.8%	15,205 7.7%	16,036 8.1%	12,115 6.1%	14,915 7.5%	17,081 8.6%	20,560 10.4%	15,733 8.0%	15,624 7.9%	14,886 7.5%	16,223 8.3%	25,998 13.1%	197,871 100%
Treasury Economics and Intergovernmental Affairs	136,855 8.7%	202,608 12.8%	107,608 6.8%	59,951 3.8%	159,334 10.1%	110,208 7.0%	129,954 8.2%	148,950 9.5%	125,518 7.9%	57,533 3.6%	74,532 4.7%	267,584 16.9%	1,580,635 100%
Justice Policy	14 3.8%	14 3.8%	39 10.6%	22 6.0%	20 5.4%	36 9.8%	18 4.9%	26 7.1%	33 9.0%	18 4.9%	21 5.7%	107 29.0%	368 100%
Attorney General	6,114 5.1%	8,326 7.0%	11,504 9.7%	6,829 5.7%	11,312 9.5%	10,866 9.1%	11,221 9.4%	8,816 7.4%	9,934 8.4%	8,980 7.6%	7,909 6.7%	17,105 14.4%	118,916 100%

(Note 2B)

MINISTRY	APRIL 1976	MAY 1976	JUNE 1976	JULY 1976	AUG. 1976	SEPT. 1976	OCT. 1976	NOV. 1976	DEC. 1976	JAN. 1977	FEB. 1977	MARCH 1977 (Note 2A)	TOTAL 1976-77
Consumer and Commercial Relations	2,072 3.4%	3,430 5.6%	4,462 7.3%	5,024 8.3%	4,702 7.8%	6,511 10.8%	5,490 9.1%	4,694 7.8%	4,514 7.5%	3,650 6.0%	5,307 8.8%	10,632 17.6%	60,488 100%
Correctional Services	7,125 4.9%	8,169 5.1%	11,232 7.8%	11,716 8.1%	10,451 7.2%	13,753 9.5%	13,536 9.4%	8,992 6.8%	12,736 8.8%	9,653 6.7%	12,489 8.6%	23,900 16.5%	144,652 100%
Solicitor General	7,548 5.3%	9,766 6.8%	9,703 6.7%	11,492 8.0%	11,279 7.8%	14,990 10.4%	10,215 7.1%	11,365 7.9%	10,199 7.1%	7,840 5.5%	10,498 7.3%	28,828 20.1%	143,723 100%
Resources Development Policy	46 1.5%	218 7.2%	318 10.4%	236 7.7%	206 6.8%	229 7.5%	176 5.8%	301 9.9%	310 10.2%	187 6.1%	215 7.1%	604 19.8%	3,046 100%
Agriculture and Food	6,657 4.0%	7,513 4.5%	8,358 5.0%	8,613 5.2%	7,366 4.5%	8,437 5.1%	10,048 6.1%	7,950 4.8%	43,343 26.2%	16,887 10.2%	14,079 8.5%	26,385 15.9%	165,636 100%
Energy	99 2.7%	166 4.5%	280 7.6%	283 7.7%	224 6.1%	355 9.6%	232 6.3%	275 7.5%	359 9.8%	305 8.3%	211 5.7%	891 24.2%	3,680 100%
Environment	3,264 3.3%	10,033 10.2%	5,438 5.5%	9,465 9.6%	6,213 6.3%	8,326 8.4%	7,432 7.5%	7,220 7.3%	6,656 6.7%	7,837 8.0%	6,420 6.5%	20,505 20.7%	98,809 100%
Housing	1,326 .8%	16,491 10.5%	8,689 5.5%	16,040 10.2%	12,815 8.2%	10,745 6.8%	9,908 6.3%	6,838 4.4%	9,176 5.8%	53,007 33.7%	9,398 6.0%	2,762 1.8%	157,195 100%
Industry and Tourism	3,265 5.8%	3,401 6.0%	3,635 6.5%	3,238 5.8%	4,172 7.4%	6,356 11.3%	4,453 7.9%	4,342 7.7%	2,846 5.1%	4,082 7.3%	2,664 4.7%	13,793 24.5%	56,247 100%
Labour	918 4.5%	1,108 5.4%	1,267 6.2%	1,457 7.1%	1,452 7.1%	1,791 8.8%	1,728 8.4%	1,462 7.2%	1,508 7.4%	1,298 6.3%	1,515 7.4%	4,957 24.2%	20,461 100%
Natural Resources	19,981 8.3%	16,029 6.7%	15,680 6.5%	22,375 9.4%	23,893 10.0%	24,163 10.1%	23,518 9.8%	17,721 7.4%	16,293 6.8%	10,732 4.5%	16,043 6.7%	33,014 13.8%	239,442 100%
Transportation and Communications	16,881 1.7%	105,635 10.9%	54,532 5.6%	137,262 14.2%	64,492 6.7%	63,728 6.6%	66,803 6.9%	70,260 7.3%	61,383 6.4%	74,854 7.8%	43,302 4.5%	206,892 21.4%	966,024 100%
Social Development Policy	67 3.4%	141 7.1%	135 6.8%	178 8.9%	97 4.8%	183 9.1%	81 4.0%	145 7.3%	120 6.0%	91 4.5%	256 12.8%	507 25.3%	2,001 100%
Colleges and Universities	35,092 3.0%	87,806 7.6%	89,352 7.7%	90,438 7.8%	91,274 7.9%	91,804 7.9%	89,536 7.7%	102,844 8.9%	93,550 8.1%	135,548 11.7%	95,706 8.3%	154,616 13.4%	1,157,566 100%
Community and Social Services	48,045 5.1%	62,890 6.6%	71,060 7.5%	77,978 8.2%	75,191 7.9%	79,608 7.9%	79,815 8.4%	76,245 8.1%	75,018 7.9%	73,513 7.8%	78,470 8.3%	149,265 15.8%	947,098 100%
Culture and Recreation	10,057 7.0%	5,804 4.0%	19,331 13.4%	9,936 6.9%	12,053 8.7%	15,254 10.6%	7,689 5.3%	12,494 8.6%	9,080 6.3%	10,763 7.4%	9,716 6.7%	21,843 15.1%	144,020 100%

MONTHLY SUMMARY OF BUDGETARY EXPENDITURE BY MINISTRY
YEAR ENDED MARCH 31, 1977—CONTINUED

(\$'000's)
(See Note 1)

MINISTRY	APRIL 1976	MAY 1976	JUNE 1976	JULY 1976	AUG. 1976	SEPT. 1976	OCT. 1976	NOV. 1976	DEC. 1976	JAN. 1977	FEB. 1977	MARCH 1977 (Note 2A)	TOTAL 1976-77
Education	264,627 13.3%	319,932 16.1%	158,114 8.0%	252,524 12.7%	65,708 3.3%	145,550 7.3%	142,276 7.2%	138,358 7.0%	158,940 8.0%	170,342 8.6%	52,539 2.7%	115,315 5.8%	1,984,215 100%
Health	195,429 5.7%	266,094 7.8%	262,344 7.7%	278,698 8.2%	278,087 8.2%	309,975 9.1%	275,256 8.1%	273,364 8.0%	287,428 8.5%	277,580 8.2%	283,983 8.4%	413,224 12.1%	3,401,462 100%
Total of Ministries	810,205 6.8%	1,181,905 9.9%	889,670 7.5%	1,031,073 8.6%	871,798 7.3%	960,795 8.1%	934,072 7.8%	942,615 7.9%	962,566 8.1%	966,769 8.1%	775,478 6.5%	1,594,291 13.4%	11,921,237 100%

NOTE 1: Expenditure figures are as recorded by the Financial Information and Accounting Policy Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.

NOTE 2: Factors contributing to above average expenditure in March 1977 included the following:

A. General—In accordance with The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972, payments made in April 1977 for goods and services received in the 1976-77 fiscal year were considered March 1977 expenditure and were charged to the appropriations of the 1976-77 fiscal year. This practice contributes to higher than average expenditure being recorded in March and lower than average expenditure being recorded in April.

Provincial employees are generally paid on a bi-weekly basis, approximately two weeks in arrears. Usually two payroll payments are made in each month. In March, 1977, however, three payroll payments were made (March 3, 17 and 31). Also, as explained in Volume 1 of the Public Accounts, in 1976-77 the Province changed its practice of accounting for the payroll payment covering the pay period which overlaps the fiscal year end date. This payment is now apportioned between the two years and had the effect of increasing 1977 expenditure by \$41 million.

B. Justice Policy—Total expenditure for the year, approximately \$368,000 was relatively small. Minor variations in dollar expenditure from month to month can cause considerable fluctuation in percentage calculations.

Energy—See comments under Justice Policy.

Industry and Tourism—Write-offs with respect to loans made under the Industrial Incentives and Development Program by the three Development Corporations aggregated \$8 million during the 1976-77 fiscal year. Of this amount \$5.7 million was recorded as expenditure in March 1977.

Labour—Three activities, the Advisory Council on Occupational and Environmental Health, the Radiation and Health Laboratories, and the Occupational Health Branch, were transferred to the Ministry of Labour from the Ministry of Health in March, 1977. At that time the Mines Engineering Activity was also transferred to the Ministry of Labour from the Ministry of Natural Resources. Expenditure with respect to these activities for 1976-77 totalled \$1.4 million and was recorded by the Ministry of Labour in March, 1977.

Transportation and Communications—Expenditure in respect of Municipal Road Subsidies under the Municipal Roads Program amounted to \$272.7 million during 1976-77, of which \$77.4 million was recorded in March 1977. Similarly, expenditure under the Municipal Transit Program amounted to \$147.2 million, of which \$41.7 million was recorded in March 1977.

Social Development Policy—See comments under Justice Policy.

EXHIBIT 6

MANAGEMENT BOARD ORDERS

AMOUNTS AUTHORIZED AND EXPENDED THEREUNDER
DURING THE YEAR ENDED MARCH 31, 1977

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Office of the Lieutenant Governor			
Mar. 1, 1977	Office of the Lieutenant Governor Program: Office of the Lieutenant Governor	8,700	3,597
		8,700	3,597
Office of the Premier			
April 12, 1977	Office of the Premier Program: Office of the Premier	23,000	22,526
		23,000	22,526
Management Board of Cabinet			
Mar. 1, 1977	Administration Program: Ministers Office	12,200	2,362
Mar. 8, 1977	Personnel	10,200	5,705
Jan. 13, 1977	Policy Development Program: Personnel Policy	365,100	365,100
April 12, 1977	Personnel Policy	115,000	77,245
Mar. 29, 1977	Management Policy	8,000	—
Mar. 1, 1977	Management Board Analysis Program: Programs and Estimates	139,000	74,004
Mar. 1, 1977	Management Audit Program: Operational Review	11,800	—
Mar. 8, 1977	Personnel Audit	39,000	11,723
Mar. 8, 1977	Employee Relations Program: Staff Relations	55,800	—
		756,100	536,139

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Government Services			
Ministry Administration Program:			
Mar. 1, 1977	Personnel Services	74,000	8,645
Mar. 1, 1977	Financial Services	187,300	124,580
April 5, 1977	Administrative Services	40,000	—
Provision of Accommodation Program:			
Feb. 8, 1977	Program Administration	77,800	46,978
Feb. 8, 1977	Real Property Acquisition	825,000	382,537
Feb. 8, 1977	Advisory Services	300,000	144,225
Feb. 8, 1977	Lease—Purchase	125,000	64,524
Upkeep of Accommodation Program:			
Mar. 1, 1977	Program Administration	170,000	—
Mar. 1, 1977	Repairs, Operation and Maintenance	2,499,800	—
Supply and Services Program:			
Mar. 1, 1977	Program Administration	31,700	15,574
Mar. 1, 1977	Supply Administration	70,800	70,043
Mar. 1, 1977	Printing and Stationery Services	121,300	—
Mar. 1, 1977	Collection Services	27,900	24,444
April 5, 1977	Collection Services	4,000	—
Feb. 22, 1977	Vehicle Repair and Trucking Services	14,200	—
Mar. 22, 1977	Employee Benefits	20,681,300	20,063,756
Feb. 8, 1977	Government Payments	297,100	57,745
Mar. 1, 1977	Insurance and Risk Management	17,800	11,273
Mar. 1, 1977	Protocol Services	43,700	43,700
April 5, 1977	Protocol Services	25,000	17,767
Mar. 1, 1977	Employee Health Services	110,000	61,368
Nov. 30, 1976	Employee Data Services	1,259,000	908,830
April 5, 1977	Employee Advisory Services	2,000	—
Management and Information Services			
Program:			
Dec. 21, 1976	Management Consulting Services	62,000	42,599
Mar. 1, 1977	Management Consulting Services	24,000	—
Dec. 21, 1976	Systems Development Services	1,084,400	924,588
Mar. 1, 1977	Systems Development Services	93,000	—
		28,268,100	23,013,176

Ministry of Revenue

Ministry Administration Program:			
Mar. 15, 1977	Management Systems	20,900	19,566
Mar. 15, 1977	Policy and Planning	11,000	8,369
Mar. 15, 1977	Personnel Services	51,200	48,305
Mar. 15, 1977	Administrative and Financial Services	253,000	253,000
April 12, 1977	Administrative and Financial Services	40,000	38,433
Administration of Taxes Program:			
Mar. 15, 1977	Administration	176,800	153,166
Mar. 15, 1977	Corporations Tax and Other Taxes	657,400	654,354
Mar. 15, 1977	Gasoline and Tobacco Tax	271,600	271,224
Mar. 15, 1977	Succession Duty and Other Taxes	343,000	222,582
Mar. 15, 1977	Retail Sales Tax and Other Taxes	1,308,100	1,227,778

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Revenue—Continued			
	Municipal Assessment Program:		
April 12, 1977	Administration	8,000	—
Mar. 15, 1977	Assessment Standards	113,000	106,691
Mar. 15, 1977	Assessment Field Operations	6,930,000	6,930,000
April 19, 1977	Assessment Field Operations	506,000	504,983
		10,690,000	10,438,451

**Ministry of Treasury, Economics and
Intergovernmental Affairs**

	Ministry Administration Program:		
Mar. 22, 1977	Ministry Office	143,900	116,121
Mar. 22, 1977	Personnel Administration	8,000	2,407
Mar. 22, 1977	Library Services	13,000	10,598
April 12, 1977	Office of Legal Services	42,000	40,455
Mar. 22, 1977	Internal Audit Services	12,000	4,116
	Central Statistical Services Program:		
April 12, 1977	Central Statistical Services	25,000	—
	Economic and Intergovernmental Affairs Program:		
Dec. 6, 1976	Office of Economic Policy	1,801,100	1,228,205
	Financial Program:		
April 12, 1977	Fiscal Policy	234,000	123,841
April 12, 1977	Treasury	10,000	9,868
	Urban and Regional Affairs Program:		
April 12, 1977	Subsidies Administration	27,000	—
	Tax Reform Program:		
Mar. 22, 1977	Ontario Unconditional Grants	68,350,000	67,369,304
Mar. 1, 1977	Payments on Provincial Properties	277,000	275,125
Mar. 1, 1977	Tax Credit Assistance	45,000	26,755
	General Financial Assistance Program:		
Mar. 1, 1977	Special Emergency Assistance Programs ..	175,000	—
		71,163,000	69,206,795

Ministry of the Attorney General

	Law Officer of the Crown Program:		
Feb. 8, 1977	Attorney General	11,800	11,800
Mar. 1, 1977	Attorney General	25,300	25,300
April 5, 1977	Attorney General	10,000	7,273
Feb. 8, 1977	Deputy Attorney General	6,000	5,680
April 5, 1977	Deputy Attorney General	19,600	—
Feb. 8, 1977	Law Research (Ontario Law Reform Commission)	25,100	25,100
Mar. 1, 1977	Law Research (Ontario Law Reform Commission)	112,000	62,652
	Administrative Services Program:		
Mar. 1, 1977	Program Administration	187,400	114,268
Feb. 8, 1977	Financial Management	126,700	126,700

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Attorney General—Continued			
Mar. 1, 1977	Financial Management	40,900	40,900
April 5, 1977	Financial Management	20,000	19,068
Feb. 8, 1977	Management Audit	35,800	35,800
Mar. 1, 1977	Management Audit	6,400	6,400
April 5, 1977	Management Audit	15,800	1,355
Feb. 8, 1977	Personnel Management	58,900	58,900
April 5, 1977	Personnel Management	27,300	13,765
Feb. 8, 1977	Program Planning and Evaluation	13,300	13,300
Mar. 1, 1977	Program Planning and Evaluation	2,800	2,150
April 5, 1977	Program Planning and Evaluation	4,900	—
Guardian and Trustee Services Program:			
Feb. 8, 1977	Official Guardian	92,900	92,900
Mar. 1, 1977	Official Guardian	77,700	77,700
April 5, 1977	Official Guardian	15,600	10,143
Feb. 8, 1977	Public Trustee	277,500	265,173
Feb. 8, 1977	Supreme Court Accountant	10,000	1,425
Crown Legal Services Program:			
Mar. 1, 1977	Crown Law Office	50,800	50,800
April 5, 1977	Crown Law Office	57,100	17,398
Mar. 1, 1977	Crown Attorneys System	614,800	614,800
April 5, 1977	Crown Attorneys System	199,500	38,081
Legislative Counsel Services Program:			
Mar. 1, 1977	Legislative Counsel Services	23,800	21,716
April 5, 1977	Legislative Counsel Services	7,000	—
Courts Administration Program:			
Mar. 1, 1977	Supreme Court of Ontario	386,600	386,600
April 5, 1977	Supreme Court of Ontario	102,000	101,821
Mar. 1, 1977	County, District and Small Claims Courts	463,100	463,100
April 5, 1977	County, District and Small Claims Courts	346,100	346,100
July 12, 1977	County, District and Small Claims Courts	208,000	207,692
Mar. 1, 1977	Provincial Courts	517,200	240,624
April 5, 1977	Provincial Courts	203,000	—
Administrative Tribunals Program:			
Feb. 8, 1977	Assessment Review Court	101,600	51,216
Mar. 1, 1977	Assessment Review Court	57,400	—
April 5, 1977	Assessment Review Court	24,400	—
Feb. 8, 1977	Board of Negotiation	2,700	—
Feb. 1, 1977	Criminal Injuries Compensation Board	373,000	373,000
Feb. 8, 1977	Criminal Injuries Compensation Board	24,700	24,700
Mar. 1, 1977	Criminal Injuries Compensation Board	60,400	60,400
April 5, 1977	Criminal Injuries Compensation Board	91,000	87,558
Feb. 8, 1977	Land Compensation Board	6,800	—
Feb. 8, 1977	Ontario Municipal Board	137,100	137,100
Mar. 1, 1977	Ontario Municipal Board	40,200	1,515
April 5, 1977	Ontario Municipal Board	23,000	—
		5,345,000	4,241,973

Ministry of Consumer and Commercial Relations

Ministry Administration Program:			
Mar. 15, 1977	Main Office	122,300	121,554
Feb. 15, 1977	Management Secretariat	90,500	88,160
Mar. 15, 1977	Administrative Services	5,000	—

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Consumer and Commercial Relations—Continued			
Mar. 15, 1977	Financial Services	117,500	116,992
Feb. 15, 1977	Personnel Services	38,500	38,080
	Commercial Standards Program:		
Mar. 15, 1977	Securities	123,000	22,700
Mar. 15, 1977	Pension Plans	43,000	42,981
Mar. 15, 1977	Financial Institutions	175,000	118,281
Mar. 15, 1977	Motor Vehicle Accident Claims Fund	32,000	—
Mar. 15, 1977	Companies	252,000	242,550
Mar. 15, 1977	Business Practices	20,000	—
Mar. 15, 1977	Commercial Registration Appeal Tribunal	7,200	—
	Technical Standards Program:		
Mar. 15, 1977	Program Administration	13,000	—
Mar. 15, 1977	Elevating Devices	104,000	77,093
Mar. 15, 1977	Energy	181,800	128,926
Mar. 15, 1977	Upholstered and Stuffed Articles	22,000	18,306
	Public Entertainment Standards Program:		
Mar. 15, 1977	Regulation of Horse Racing	16,000	16,000
April 12, 1977	Regulation of Horse Racing	20,000	7,042
Mar. 15, 1977	Theatres	36,000	36,000
April 12, 1977	Theatres	13,000	10,186
Feb. 15, 1977	Lotteries	16,000	15,422
	Property Rights Program:		
Mar. 15, 1977	Real Property Registration	1,085,000	1,084,075
Mar. 15, 1977	Land Boundaries	70,000	48,311
Mar. 15, 1977	Property Law	36,000	35,429
Mar. 15, 1977	Personal Property Registration	47,000	5,559
	Registrar General Program:		
Mar. 15, 1977	Registrar General	263,000	260,209
	Liquor Licence Program:		
Mar. 15, 1977	Liquor Licence Board of Ontario	209,400	196,854
		3,158,200	2,730,710

Ministry of Correctional Services

Ministry Administration Program:			
Mar. 15, 1977	General Administration	133,600	133,600
April 12, 1977	General Administration	31,400	28,949
Mar. 15, 1977	Health Care Services	18,800	—
Mar. 15, 1977	Planning and Support Services	37,100	36,364
April 12, 1977	Planning and Support Services	4,000	—
Mar. 15, 1977	Administrative and Financial Services	90,100	65,560
April 12, 1977	Administrative and Financial Services	13,000	—
Mar. 15, 1977	Personnel Services	97,600	81,081
April 12, 1977	Personnel Services	20,000	—
Mar. 15, 1977	Staff Training and Development	61,200	61,200
April 12, 1977	Staff Training and Development	16,300	9,131
Mar. 22, 1977	Information Services	200,000	191,441
April 12, 1977	Information Services	3,000	—
	Rehabilitation of Adult Offenders Program:		
Feb. 22, 1977	General Administration	746,700	746,700
April 12, 1977	General Administration	18,900	13,936
Mar. 8, 1977	Care, Treatment and Training of Adult Offenders	13,825,000	12,956,948

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Correctional Services—Continued			
Feb. 22, 1977	Ontario Board of Parole	58,800	57,949
Mar. 8, 1977	Community Services — Adults	1,588,000	1,588,000
April 12, 1977	Community Services — Adults	57,000	46,849
	Rehabilitation of Juveniles Program:		
Mar. 15, 1977	Client Services — Juveniles	986,000	929,208
		18,006,500	16,946,916
Ministry of the Solicitor General			
	Ministry Administration Program:		
April 5, 1977	Main Office	36,000	35,835
April 5, 1977	Ministry Office Secretariat	9,000	—
April 5, 1977	Financial Services	298,000	275,870
April 5, 1977	Personnel Services	120,000	96,791
April 5, 1977	Internal Audit	4,000	—
	Public Safety Program:		
April 5, 1977	Centre of Forensic Sciences	235,000	196,259
April 5, 1977	Fire Safety Services	397,000	324,006
	Supervision of Police Forces Program:		
April 5, 1977	Ontario Police Commission	126,000	—
April 5, 1977	Ontario Police College	224,000	107,719
April 5, 1977	Ontario Police Arbitration Commission	4,000	—
	Ontario Provincial Police Management Program:		
April 5, 1977	Office of the Commissioner	222,600	207,400
April 5, 1977	Staff Inspection	20,000	—
April 5, 1977	In-Service Training	74,000	17,594
April 5, 1977	Properties	20,000	14,656
April 5, 1977	Staff Development	96,000	81,643
April 5, 1977	Planning and Research	41,000	—
April 5, 1977	Community Services	121,000	113,194
	Ontario Provincial Police Criminal and General Law Enforcement Program:		
April 5, 1977	Special Services	669,000	506,916
April 5, 1977	Communications	43,500	—
April 5, 1977	Quartermaster Stores	10,000	—
April 5, 1977	Records	52,500	4,204
April 5, 1977	Data Processing	25,000	23,709
April 5, 1977	Law Enforcement — Uniform	6,975,000	6,537,392
April 5, 1977	Law Enforcement — Civilian	647,500	568,350
April 5, 1977	Ontario Government Protective Service	297,000	242,320
April 5, 1977	Registration	63,000	58,263
April 5, 1977	Ontario Provincial Police Auxiliary	4,000	2,500
	Ontario Provincial Police Traffic Law Enforcement Program:		
April 5, 1977	Communications	43,500	—
April 5, 1977	Quartermaster Stores	10,000	—
April 5, 1977	Records	52,500	4,204
April 5, 1977	Data Processing	25,000	23,709
April 5, 1977	Law Enforcement — Uniform	6,975,000	6,537,392
April 5, 1977	Law Enforcement — Civilian	647,500	568,350
		18,587,600	16,548,276

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Agriculture and Food			
Ministry Administration Program:			
Mar. 29, 1977	Information Services	150,000	122,097
Mar. 29, 1977	Legal Services	35,000	34,978
Mar. 29, 1977	Financial and Administrative Services	75,000	74,390
Agricultural Production Program:			
Mar. 29, 1977	Administration	5,000	—
Mar. 29, 1977	Advisory Services	1,680,000	1,393,891
Mar. 15, 1977	Assistance to Primary Food Production ..	10,500,000	9,786,451
Agricultural Marketing Program:			
Mar. 29, 1977	Marketing	300,000	128,209
Mar. 29, 1977	Quality Control of Agricultural Products	750,000	481,676
Agricultural Education and Research Program:			
Mar. 29, 1977	Administration	83,000	—
Mar. 29, 1977	Education	250,000	71,572
Mar. 29, 1977	Research	600,000	378,688
		14,428,000	12,471,952
Ministry of Energy			
Energy Policy Program:			
Jan. 18, 1977	Policy Development	118,000	118,000
Mar. 8, 1977	Policy Development	80,800	62,238
Mar. 8, 1977	Energy Technology	17,800	—
		216,600	180,238
Ministry of the Environment			
Ministry Support Services Program:			
Mar. 8, 1977	Management Services	75,000	59,104
April 5, 1977	Legal Services	60,000	30,609
Mar. 8, 1977	Information Services	57,000	51,517
April 5, 1977	Financial and Administrative Services	110,000	—
Feb. 15, 1977	Personnel Services	73,000	55,353
Feb. 15, 1977	Experience '76	257,000	252,539
Environmental Assessment and Planning Program:			
Mar. 8, 1977	Air Resources	237,000	150,733
Mar. 8, 1977	Water Resources	523,000	374,727
April 5, 1977	Pollution Control Planning	250,000	92,358
April 5, 1977	Environmental Approvals and Land Use ..	200,000	160,800
Feb. 15, 1977	Environmental Assessment Board	22,000	—
Environmental Control Program:			
April 5, 1977	Program Administration	55,000	—
Feb. 22, 1977	Industrial Abatement	1,824,000	1,529,184
Mar. 8, 1977	Municipal and Private Abatement	865,000	713,226
Mar. 8, 1977	Utility: Plant Development and Construction	1,674,000	1,484,164
Feb. 15, 1977	Laboratory and Technical Support	772,000	772,000
April 5, 1977	Laboratory and Technical Support	437,000	337,545
		7,491,000	6,063,859

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
	Ministry of Housing		
	Community Planning Program:		
April 5, 1977	Plans Administration	270,000	207,995
Mar. 15, 1977	Community Renewal	3,270,000	2,396,339
	Home Buyers Grant Program:		
Jan. 18, 1977	Administration	222,000	174,700
Feb. 15, 1977	Home Buyers Grant Fund	1,000,000	695,058
		4,762,000	3,474,092

Ministry of Industry and Tourism

	Ministry Central Office Program:		
April 12, 1977	Main Office	37,000	35,438
April 12, 1977	Strategic Planning	43,000	37,831
	Industry Development Program:		
April 12, 1977	Program Administration	24,000	20,405
April 12, 1977	Industry Technology Development	46,000	—
April 12, 1977	Service Industries Development	15,000	4,155
Mar. 29, 1977	Ontario Research Foundation	191,100	191,100
	Trade Development Program:		
Mar. 15, 1977	International Marketing Development	24,000	—
	Tourism Development Program:		
Mar. 15, 1977	Tourism Marketing Development	26,100	26,100
April 12, 1977	Tourism Marketing Development	53,000	31,651
	Operations Program:		
Mar. 15, 1977	Ontario	384,500	316,211
	Communications Program:		
April 12, 1977	Program Administration	21,000	16,389
April 12, 1977	Communication Services	67,000	61,486
	Administration Program:		
Mar. 15, 1977	Program Administration	20,000	15,911
Mar. 15, 1977	Financial and Office Services	149,000	147,832
Mar. 15, 1977	Personnel Services	33,000	30,469
Mar. 15, 1977	Management Services	54,000	52,148
	Ontario Place Corporation Program:		
Mar. 15, 1977	Ontario Place Development	110,000	110,000
	Industrial Incentives and Development Program:		
April 12, 1977	Northern Ontario Development Corporation	880,000	825,994
		2,177,700	1,923,120

Ministry of Labour

	Ministry Administration Program:		
Mar. 29, 1977	Main Office	137,800	107,112
Mar. 1, 1977	Labour Safety Council	19,000	11,133
Mar. 29, 1977	Finance and Administration	122,100	57,197
Mar. 29, 1977	Personnel	32,000	17,553

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Labour—Continued			
Mar. 29, 1977	Information Services	30,500	29,670
Mar. 29, 1977	Industrial Relations Program: Conciliation and Mediation Services	90,000	81,050
Mar. 29, 1977	Women's Program: Women Crown Employee Office	6,300	—
Mar. 29, 1977	Women's Bureau	40,000	38,071
Mar. 29, 1977	Labour Services Program: Program Administration	33,300	25,030
Mar. 29, 1977	Occupational Safety	551,000	451,661
Mar. 29, 1977	Employment Standards	75,000	47,811
April 12, 1977	Human Rights Commission Program: Office of the Chairman	10,000	5,099
		1,147,000	871,387

Ministry of Natural Resources**Ministry Administration Program:**

April 5, 1977	Main Office	79,000	54,548
Mar. 22, 1977	Field Offices	1,120,000	1,120,000
Mar. 29, 1977	Field Offices	200,000	200,000
April 5, 1977	Field Offices	114,000	41,371
Mar. 22, 1977	Financial Management	220,000	214,272
April 5, 1977	Information Services	163,000	80,315
Feb. 15, 1977	Personnel	111,000	80,166
Feb. 15, 1977	Junior Rangers	20,000	20,000
April 12, 1977	Junior Rangers	30,000	19,264
April 5, 1977	Northern Affairs	115,000	49,577
Jan. 4, 1977	Youth Corps (Experience '76)	389,000	379,668
Land Management Program:			
Feb. 15, 1977	Water Control and Engineering	449,000	449,000
April 5, 1977	Water Control and Engineering	89,200	89,200
April 12, 1977	Water Control and Engineering	368,000	241,024
Feb. 15, 1977	Forest Protection	260,000	260,000
Mar. 29, 1977	Forest Protection	660,600	324,284
Feb. 15, 1977	Air Service	218,000	218,000
April 5, 1977	Air Service	739,400	604,999
Feb. 15, 1977	Extra Fire Fighting	460,000	86,554
Feb. 15, 1977	Land and Water Classification	502,000	476,072
April 5, 1977	Land and Water Classification	80,000	—
Mar. 29, 1977	Land, Water and Mineral Title Administration	141,300	84,811
April 5, 1977	Land, Water and Mineral Title Administration	243,800	—
April 12, 1977	Land, Water and Mineral Title Administration	13,000	—
Outdoor Recreation Program:			
Mar. 29, 1977	Recreational Areas	2,584,600	2,211,548
Mar. 29, 1977	Fish and Wildlife	1,314,000	1,230,362
Jan. 18, 1977	St. Lawrence Parks Commission	442,000	442,000
Mar. 29, 1977	St. Lawrence Parks Commission	111,000	102,440

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Natural Resources—Continued			
	Resource Products Program:		
Mar. 29, 1977	Mineral Management	541,000	230,923
Mar. 29, 1977	Forest Management	2,175,000	2,175,000
April 19, 1977	Forest Management	506,600	382,765
Mar. 22, 1977	Commercial Fish and Fur	91,000	84,537
Mar. 29, 1977	Commercial Fish and Fur	120,000	—
		14,670,500	11,952,700

Ministry of Transportation and Communications

	Ministry Administration Program:		
April 5, 1977	Executive	300,000	209,403
April 12, 1977	General Services	270,000	—
April 5, 1977	Audit Services	300,000	294,250
	Planning, Research and Development Program:		
April 5, 1977	Program Administration	60,000	21,573
	Safety and Regulation Program:		
Mar. 1, 1977	Program Administration	185,000	141,850
April 5, 1977	Licensing	780,000	725,439
April 5, 1977	Examination, Inspection and Enforcement	1,350,000	867,828
	Provincial Roads Program:		
April 12, 1977	Program Administration	1,100,000	687,174
April 12, 1977	Design	2,800,000	2,625,622
April 12, 1977	Maintenance	7,382,000	7,125,929
	Provincial Transit Program:		
April 12, 1977	Capital and Construction	2,275,000	2,269,012
April 12, 1977	Operations	100,000	—
	Air Program:		
Mar. 29, 1977	Capital and Construction	1,303,000	1,303,000
April 12, 1977	Capital and Construction	1,667,400	1,568,549
Mar. 29, 1977	Maintenance	80,000	65,159
	Municipal Roads Program:		
April 5, 1977	Program Administration	300,000	237,808
April 12, 1977	Capital, Construction and Maintenance	4,300,000	2,843,592
	Municipal Transit Program:		
Mar. 22, 1977	Program Administration	30,000	26,827
		24,582,400	21,013,015

Social Development Policy

	Social Development Policy Program:		
April 26, 1977	Social Development Councils	16,100	13,729
		16,100	13,729

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Colleges and Universities			
April 12, 1977	Ministry Administration Program: Common Services	180,000	44,795
April 5, 1977	Colleges and Adult Education Support Program: Grants for Colleges of Applied Arts and Technology and Other Organizations	641,000	142,130
Mar. 8, 1977	Student Affairs Program: Program Administration	250,000	249,973
		1,071,000	436,898
Ministry of Community and Social Services			
April 19, 1977	Ministry Administration Program: Main Office	90,600	41,464
Feb. 1, 1977	Social Assistance Review Board	187,000	153,900
Feb. 15, 1977	Audit Services	87,500	54,481
Feb. 15, 1977	Financial and Administrative Services	406,300	144,746
Aug. 3, 1976	Transfer Payments and Grants (The Ministry of Community and Social Services Act)	406,900	305,489
Feb. 15, 1977	Social Resources Program: Program Administration	2,131,900	1,773,895
Feb. 1, 1977	Developmental Resources Program: Facility Services	11,087,500	11,087,500
Mar. 15, 1977	Facility Services	3,553,600	3,553,600
April 12, 1977	Facility Services	2,035,000	1,523,271
		19,986,300	18,638,346
Ministry of Culture and Recreation			
Jan. 25, 1977	Ministry Administration Program: Main Office	165,400	127,153
Mar. 22, 1977	Financial and Administrative Services	454,400	445,167
Mar. 22, 1977	Communication Services	45,500	37,475
April 19, 1977	Field Services	126,700	125,584
April 19, 1977	Heritage Conservation Program: Archives	51,600	50,438
Mar. 29, 1977	Arts Support Program: Cultural Institutions	22,400	22,400
May 16, 1977	Cultural Institutions	695,000	694,913
April 19, 1977	Ontario Science Centre	409,700	370,245
April 19, 1977	Multicultural Support and Citizenship Program: Community Participation	156,500	123,025
April 19, 1977	Translation Services	55,500	—
Jan. 25, 1977	Libraries and Community Information Program: Youth Services	525,100	456,332
April 19, 1977	Sports and Fitness Program: Physical Fitness and Leadership Training	225,500	146,004
		2,933,300	2,598,736

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Education			
Ministry Administration Program:			
Mar. 22, 1977	Budget Services	5,000	—
Mar. 15, 1977	Financial Management	77,000	77,000
April 5, 1977	Financial Management	35,000	3,497
Jan. 13, 1977	Management Services	105,000	105,000
Mar. 22, 1977	Management Services	50,000	24,772
April 5, 1977	Management Services	7,000	—
Mar. 15, 1977	Personnel	30,000	24,545
Education Development and Administration Program:			
Mar. 15, 1977	Planning and Research	81,000	—
Jan. 13, 1977	Schools for the Blind and Deaf	2,300,000	2,300,000
Mar. 22, 1977	Schools for the Blind and Deaf	690,000	690,000
April 5, 1977	Schools for the Blind and Deaf	356,000	284,256
Jan. 13, 1977	Educational Programs in the Developmental Centres Schools	1,315,000	1,315,000
Mar. 22, 1977	Educational Programs in the Developmental Centres Schools	185,000	185,000
April 5, 1977	Educational Programs in the Developmental Centres Schools	340,000	215,964
Mar. 15, 1977	Correspondence Courses Services	290,000	288,029
Mar. 15, 1977	Teacher Education and Certification	300,000	149,219
Mar. 22, 1977	Regional Services	340,000	230,114
April 5, 1977	Regional Services	53,000	—
Services to Education Program:			
Mar. 15, 1977	Teachers' Superannuation Commission	36,913,700	36,786,784
		43,472,700	42,679,180
Ministry of Health			
Ministry Administration and Health Insurance Program:			
April 19, 1977	Health Insurance	928,600	—
Institutional Health Services Program:			
April 19, 1977	Program Administration	69,800	44,664
April 19, 1977	Ministry Direct Services	7,314,150	7,314,150
July 5, 1977	Ministry Direct Services	617,800	481,988
		8,930,350	7,840,802
Total Management Board Orders		301,891,150	273,846,613

STATUTORY APPROPRIATIONS

EXHIBIT 7

AMOUNTS EXPENDED THEREUNDER
DURING THE YEAR ENDED MARCH 31, 1977

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Office of the Assembly	The Election Act	Expenditure	303,992
	Commission on Election Contributions and Expenses	Expenditure	1,409,641
	Contributions to Legislative Assembly Retirement Allowances Account	Expenditure	1,715,632
			<hr/> 3,429,265
Office of the Premier	Premier's Salary	Expenditure	25,000
			<hr/> 25,000
Management Board of Cabinet	Minister's Salary	Expenditure	18,000
	Reserve for Outstanding Cheques	Charge	322
			<hr/> 18,322
Office of Provincial Auditor	Provincial Auditor's Salary	Expenditure	47,033
			<hr/> 47,033
Ministry of Government Services	Minister's Salary	Expenditure	18,000
	Ministers without Portfolio Salaries	Expenditure	13,829
	Contract Security Deposits	Charge	77,802
	Publications Deposit Trust Account	Charge	63,147
	Effingham Park Expropriation Trust Account	Charge	48,326
	Central Collection Services	Charge	6,109
	Reserve for Outstanding Cheques	Charge	3,425
	Ontario Housing Corporation Land Maintenance	Charge	224
	Government Stationery Account	Expenditure	104,624
	Employees Benefits (Government Contributions)	Expenditure	12,247
			<hr/> 347,733
Ministry of Revenue	Minister's Salary	Expenditure	18,000
	Retail Sales Tax—Contract Security Deposits	Charge	67,518
	Province of Ontario Savings Office Program	Expenditure	2,739,862
			<hr/> 2,825,380

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Treasury Economics and Intergovern- mental Affairs	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,644
	<i>Public Debt</i>		
	Interest on Securities Issued		
	On provincial account	Expenditure	543,669,459
	On behalf of Ontario Hydro	Expenditure	178,191,369
	To Teachers' Superannuation Fund	Expenditure	128,474,890
	To Ontario Municipal Employees' Retirement Fund	Expenditure	69,699,707
	Interest on Public Service Superannuation Fund	Expenditure	75,714,085
	Interest on Savings Office Deposits	Expenditure	26,896,287
	Other interest, exchange, discount and commission	Expenditure	45,895,140
	<i>Development Loans</i>		
	The Ontario Education Capital Aid Corporation Act	Disbursement	77,324,000
	The Ontario Universities Capital Aid Corporation Act	Disbursement	32,974,094
	The Ontario Municipal Improvement Corporation Act	Disbursement	15,483,648
	<i>Other Loans and Advances</i>		
	Ontario Hydro	Disbursement	300,000,000
	The Crop Insurance Commission of Ontario	Disbursement	2,000,000
	<i>Pension Funds, Deposit, Trust, and Reserve Accounts</i>		
	Payments from Ontario Energy Corporation Trust Account	Charge	38,865,691
	Payments from Public Service Superannuation Fund	Charge	51,987,305
	Payments from Legislative Assembly Retirement Allowances Account	Charge	558,429
	Other	Charge	1,308,415
	 The Regional Municipality of Sudbury Act, 1972	Expenditure	64,383
	The Regional Municipality of Waterloo Act, 1972	Expenditure	26,983
	The Regional Municipality of Durham Act, 1973	Expenditure	26,594
	The Regional Municipality of Halton Act, 1973	Expenditure	26,594
	The Regional Municipality of Peel Act, 1973	Expenditure	26,243
	The Regional Municipality of Hamilton- Wentworth Act, 1973	Expenditure	46,034
	The Regional Municipality of Haldimand- Norfolk Act, 1973	Expenditure	17,497

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Treasury, Economics and Intergovernmental Affairs Cont'd)	Special Assistance to Municipalities	Expenditure	56,000
	Loans to municipalities under The Shoreline Property Assistance Act, 1973	Disbursement	788,723
	Debt Transactions	Retirements of Loans	330,336,294
			1,920,480,508
Ministry of the Attorney General	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	2,164
	Proceedings Against the Crown Act	Expenditure	38,641
	Allowances to Supreme Court Judges	Expenditure	162,768
	Allowances to Judges	Expenditure	339,367
			560,940
Ministry of Consumer and Commercial Relations	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Payments from the Motor Vehicle Accident Claims Fund	Charge	16,801,839
	Security Bond Forfeitures		
	The Consumer Protection Act	Charge	59,859
	The Motor Vehicle Dealers Act	Charge	65,000
	The Real Estate and Business Brokers Act	Charge	26,100
	Reserve for Outstanding Cheques	Charge	491
	Crown Contributions re Judges' Plans	Expenditure	6,688
	Personal Property Security Registration Deposit Account	Charge	23,800
	Fees under The Vital Statistics Act	Expenditure	486
			17,007,263
Ministry of Correctional Services	Minister's Salary	Expenditure	18,000
	Unclaimed Monies	Charge	65
	Reserve for Outstanding Cheques	Charge	210
			18,275
Ministry of Solicitor General	Minister's Salary	Expenditure	18,000
	Hearings under The Police Act	Expenditure	3,207
	Payments under The Ministry of Treasury, Economics and Intergovernmental Affairs Act	Expenditure	4,265
			25,472

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Resources Development Policy	Minister's Salary	Expenditure	18,000
			18,000
Ministry of Agriculture and Food	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Payments to Chartered Banks re Guaranteed Loan Programs	Expenditure	339,912
	Subsidy payments to The Ontario Crop Insurance Fund	Expenditure	5,838,084
	Tile Drainage Debentures	Disbursement	16,077,700
	Ontario Agricultural Museum Trust Fund	Charge	300
			22,278,996
Ministry of Energy	Minister's Salary	Expenditure	18,000
			18,000
Ministry of the Environment	Minister's Salary	Expenditure	18,000
	Reserve Fund for Renewals, Replacements and Contingencies	Charge	258,839
			276,839
Ministry of Housing	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Grants to assist in the erection of housing units for elderly persons	Expenditure	318,500
			341,500
Ministry of Industry and Tourism	Minister's Salary	Expenditure	18,000
	Ontario Development Corporation Term Loan Program	Disbursement	10,434,321
	Northern Ontario Development Corporation Term Loan Program	Disbursement	8,520,581
	Eastern Ontario Development Corporation Term Loan Program	Disbursement	11,492,081
			30,465,000

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Labour	Minister's Salary	Expenditure	18,000
	Employment Standards		
	Unclaimed Vacation Pay	Charge	1,103
	Unclaimed Wages	Charge	3,802
	Mine Rescue Training	Expenditure	39,942
			62,847
Ministry of Natural Resources	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Contract Security Deposits	Charge	30,700
	Reserve for Outstanding Cheques	Charge	311
	Pits and Quarries Security Deposits	Charge	323,004
	Grants in accordance with The Algonquin Forestry Authority Act 1974	Expenditure	610,000
	Loans in accordance with The Algonquin Forestry Authority Act 1974	Disbursement	75,000
	Contract Security Deposits	Charge	42,880
			1,104,895
Ministry of Transportation and Communica- tions	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,945
	City of Niagara Falls—Compensation for loss of Taxes	Expenditure	12,000
	<i>Trust Accounts</i>		
	Construction Trust Account	Charge	30,792
	Contract Security Deposits	Charge	14,231
			79,968
Social Development Policy	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
			23,000
Ministry of Colleges and Universities	Minister's Salary	Expenditure	18,000
	Reserve for Outstanding Cheques	Charge	180
	Queen Elizabeth II Ontario Scholarship Fund	Charge	28,690
			46,870
Ministry of Community and Social Services	Minister's Salary	Expenditure	18,000
	Bequests and Scholarships	Charge	1,827
			19,827

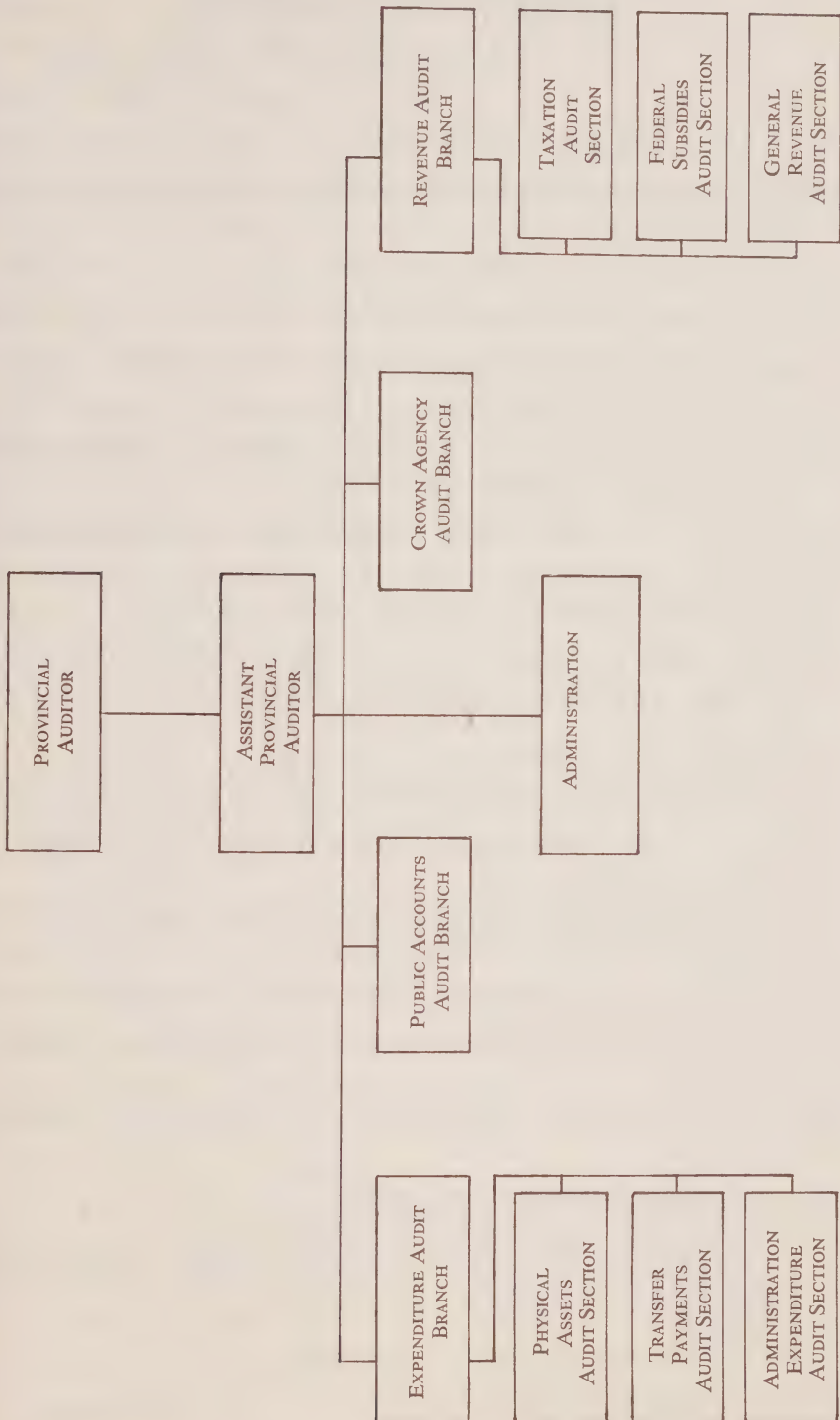
MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Culture and Recreation	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Contract Security Deposits—Athletics Commissioner	Charge	16,700
	Ontario Olympic Lottery Sports Fund	Charge	3,090,517
	Loto Canada—Trust Account	Charge	660,705
			3,790,922
Ministry of Education	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Bequests and Scholarships	Charge	29,074
	Ontario Education Association—Elementary Teachers' Loan Fund	Charge	9,319
	Student Aid Loans Write-Off	Expenditure	12,897
	Teachers' Superannuation Fund	Expenditure	82,427,462
	Superannuation Adjustment Fund	Expenditure	19,245,938
	Superannuation Adjustment Benefits	Expenditure	8,878,746
			110,626,436
Ministry of Health	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Reserve for Outstanding Cheques	Charge	15,693
	Provincial Lottery Trust	Charge	2,000,000
	Government Pharmacy Account	Expenditure	336,473
	Estates Funds	Charge	2,466
			2,377,632
Total Statutory Payments			2,116,315,925

Summary of Statutory Payments

	\$
Budgetary Expenditure	1,194,284,254
Disbursements	475,170,167
Charges	116,525,210
Retirements of Loans	330,336,294
Total	2,116,315,925

EXHIBIT 8

OFFICE OF PROVINCIAL AUDITOR



OFFICE OF PROVINCIAL AUDITOR
REVENUE AND EXPENDITURE AUDITS

Year Ended March 31, 1977

(See Note)

Revenue, Ministry of Agriculture and Food

Transfer Payments, Disbursements and Other Transactions, Ministry of Agriculture and Food

Expenditure, Ministry of the Attorney General

Revenue, Ministry of the Attorney General

Administrative Expenditure, Ministry of Colleges and Universities

Ontario Career Action Program, Ministry of Colleges and Universities

Revenue and Trust Funds, Children's Psychiatric Research Institute, Ministry of Community and Social Services

Revenue and Trust Funds, D'Arcy Place, Ministry of Community and Social Services

Transfer Payments, Ministry of Community and Social Services

Expenditure, Ministry of Consumer and Commercial Relations

Revenue, Ministry of Consumer and Commercial Relations

Expenditure, Ministry of Correctional Services

Revenue, Ministry of Correctional Services

Revenue and Trust Funds, Brampton Adult Training Centre, Ministry of Correctional Services

Revenue and Trust Funds, Guelph Correctional Centre, Ministry of Correctional Services

Revenue and Trust Funds, Hillcrest School, Ministry of Correctional Services

Revenue and Trust Funds, Monteith Correctional Centre, Ministry of Correctional Services

Revenue and Trust Funds, Rideau Correctional Centre, Ministry of Correctional Services

Revenue, Ministry of Culture and Recreation

Review of Olympic Lottery of Canada Corporation's Financial Records Pertaining To Olympic Lottery Draws #7—#9 (Final), Ministry of Culture and Recreation

Administrative Expenditure, Ministry of Education

Revenue, Ministry of Education

Review of the Student Guidance Information Service Teleprocessing, Ministry of Education

Transfer Payments, Ministry of Education

Expenditure, Ministry of Energy

Revenue, Ministry of Energy

Disbursements and Other Transactions for Sewage and Water Treatment Facilities, Ministry of the Environment

Expenditure, Ministry of the Environment

Acquisition/Construction of Physical Assets, Ministry of Government Services

Administrative Expenditure and Transfer Payments, Ministry of Government Services

Expenditure, Senior Compensation Plan Payroll, Ministry of Government Services

Expenditure on Telephone Facilities, Ministry of Government Services

Revenue, Ministry of Government Services

Review of Bank Reconciliations and Related Activities, Ministry of Government Services

Analysis of OHIP Payments to Physicians and Practitioners in Excess of \$100,000 for Services Rendered During 1974-75, Ministry of Health

Payments to Physicians

Payments to Practitioners and Other Matters Related to the Ontario Health Insurance Plan, Ministry of Health

Disbursements, Ministry of Health

Revenue and Trust Funds, Dr. MacKinnon Phillips Hospital, Ministry of Health

Revenue and Trust Funds, Lakeshore Psychiatric Hospital, Ministry of Health

Revenue and Trust Funds, London Psychiatric Hospital, Ministry of Health

Revenue and Trust Funds, North Bay Psychiatric Hospital, Ministry of Health

Review of the Regional Laundry and Linen Service, Queen Street Mental Health Centre, Ministry of Health

Transfer Payments, Ministry of Health

Administrative Expenditure, Ministry of Housing

Revenue, Ministry of Housing

Transfer Payments, Disbursements and Other Transactions, Ministry of Housing

Revenue, Ministry of Industry and Tourism

Revenue, Ministry of Labour

Acquisition/Construction of Physical Assets, Ministry of Natural Resources

Administrative Expenditure, Ministry of Natural Resources

Revenue and Trust Funds, Leslie M. Frost Natural Resources Centre, Ministry of Natural Resources

Revenue and Expenditure, Office of the Premier, Cabinet Office, Justice Policy, Resources Development Policy and Social Development Policy

Administrative Expenditure, Ministry of Revenue

Procedures Employed to Verify the Accuracy of Taxes Collected Under the Income Tax Act, R.S.O. 1970, as amended, and of Claims Made Under the Ontario Tax Credit System, Ministry of Revenue

Revenue, Ministry of Revenue

Revenue, Ministry of Transportation and Communications

Administrative Expenditure, Ministry of Treasury, Economics and Intergovernmental Affairs

Investment and Borrowing Operations of the Ministry of Treasury, Economics and Intergovernmental Affairs

Revenue, Ministry of Treasury, Economics and Intergovernmental Affairs

Securities Branch, Ministry of Treasury, Economics and Intergovernmental Affairs

Review of Remote Data Processing Facilities

Computer Control Evaluations—Various Ministries (7) and Agencies (4)

NOTE: In general, this listing includes audits completed between the date (September 30, 1976) of our 1975-76 Report and the date (September 30, 1977) of our 1976-77 Report. In all cases at least a portion of the period covered by the audit fell within the year ended March 31, 1977.

EXHIBIT 10

**OFFICE OF PROVINCIAL AUDITOR
CROWN AGENCY AUDITS****Year Ended March 31, 1977***(See Note 1)*

(a) Audited by Provincial Auditor pursuant to appointment under the various related statutes.

- The Accountant of the Supreme Court of Ontario
- Agricultural Rehabilitation and Development Directorate of Ontario
- Alcoholism and Drug Addiction Research Foundation
- *Algonquin Forestry Authority
- The Centennial Centre of Science and Technology
- Commission on Election Contributions and Expenses
- *The Crop Insurance Commission of Ontario
- *Eastern Ontario Development Corporation
- The Fund for Milk and Cream Producers, The Milk Commission of Ontario
- The John Graves Simcoe Memorial Foundation
- The Law Society of Upper Canada, Legal Aid Fund
- *Liquor Control Board of Ontario
- The McMichael Canadian Collection
- The Niagara Parks Commission (October 31, 1976)
- *Northern Ontario Development Corporation
- *North Pickering Development Corporation
- Office of the Assembly
- Office of the Official Guardian
- Office of the Ombudsman
- Ontario Agricultural Museum
- The Ontario Cancer Treatment and Research Foundation (December 31, 1976)
- Ontario Deposit Insurance Corporation (December 31, 1976)
- *Ontario Development Corporation
- *The Ontario Education Capital Aid Corporation
- The Ontario Educational Communications Authority
- Ontario Food Terminal Board
- The Ontario Heritage Foundation
- *Ontario Housing Corporation (December 31, 1976)
- *The Ontario Junior Farmer Establishment Loan Corporation
- Ontario Lottery Corporation
- *The Ontario Municipal Improvement Corporation
- *Ontario Northland Transportation Commission (December 31, 1976)
- Ontario Place Corporation
- The Ontario Producers, Processors, Distributors and Consumers Food Council
- Ontario Racing Commission
- Ontario Stock Yards Board (June 30, 1977)
- *Ontario Student Housing Corporation (December 31, 1976)

The Ontario Telephone Development Corporation (December 31, 1976)

*The Ontario Universities Capital Aid Corporation
Pension Commission of Ontario
Province of Ontario Council for the Arts
Public Service Superannuation Fund
The Public Trustee of The Province of Ontario
The Sheridan Park Corporation
The St. Lawrence Parks Commission
Superannuation Adjustment Fund

(b) Audited by Provincial Auditor pursuant to appointment by shareholders or membership bodies.

Canadian Conference on Historical Resources

*Ontario Mortgage Corporation
Ontario Industrial Training Institute
The Owen Sound Transportation Company, Limited (December 31, 1976)
Soldiers' Aid Commission (Note 2)
Star Transfer Limited (December 31, 1976)

(c) Audited by Provincial Auditor pursuant to the provisions of The Audit Act.

Legislative Assembly Retirement Allowances Account
Liquor Licence Board (Note 3)
Motor Vehicle Accident Claims Fund
Niagara Escarpment Commission (Note 4)
The Province of Ontario Savings Office

(d) Audited by Public Accountants subject to direction or review by the Provincial Auditor.

*Ontario Land Corporation
Toronto Area Transit Operating Authority
Workmen's Compensation Board (December 31, 1976)

*Financial Statements reproduced in Volume 2 of the Public Accounts 1976-77.

Note 1: In all cases the audit covered the fiscal period of the Agency concerned. In most instances the fiscal period ended on March 31, 1977. Where the Agency's fiscal period ended on a date other than March 31, 1977, such date has been indicated in parenthesis.

Note 2: The Ontario Canteen Fund was formerly listed under section (b) of this Exhibit. This Fund was effectively terminated as at March 31, 1976 by the transfer of the balance in the Fund to the Soldiers' Aid Commission.

Note 3: The Liquor Licence Act, 1975 came into force on January 2, 1976. This Act effectively terminated the Liquor Licence Board of Ontario and established the Liquor Licence Board.

Note 4: Audit of the Niagara Escarpment Commission was previously performed in conjunction with the Expenditure Audits of the Ministry of Treasury, Economics and Intergovernmental Affairs.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN THE PROVINCIAL AUDITOR'S PREVIOUS REPORTS

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
1974-75	87	Ministry of the Attorney General Delay by some courts in remitting prepaid fines to the Province.	In process of implementation at time of our most recent audit in this area covering through May, 1977.
1975-76	86	Court costs paid but not remitted to the Province.	In process of implementation at time of our most recent audit in this area covering through May, 1977.
1975-76	87	Unpaid fines imposed by provincial courts.	Substantially implemented. For further comment see section 63 of 1976-77 Report.
1974-75	89	Ministry of Colleges and Universities Grants made prior to the recipient's need for funds.	Implemented.
1974-75	90	Grants not authorized by legislation.	A similar recommendation (#10) was made by the Standing Public Accounts Committee in its December 1976 Report to the Legislature. See status of this recommendation in Exhibit 12.
1975-76	90	Improved controls recommended, Ontario Student Assistance Program.	In April, 1977 the Ministry advised that it was committed to a major revision of the Ontario Student Assistance Program for the 1978-79 fiscal year, and that it was presently conducting an in-depth examination of the whole program.
1975-76	91	Ineffectiveness of planning and statistical systems.	Status to be verified at time of next audit in this area.
1975-76	93	Venture capital program.	Status to be verified at time of next audit in this area.
1974-75	93	Ministry of Community and Social Services Overpayments to recipients of provincial benefits.	Implemented.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN THE PROVINCIAL AUDITOR'S PREVIOUS REPORTS—CONTINUED

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
		Ministry of Community and Social Services (Cont'd)	
1974-75	94	Payments due under assigned agreements.	Partially implemented. Area will be reviewed further in future audits.
1975-76	94	Administrative weaknesses re termination of employees.	Status to be verified at time of next audit in this area.
1975-76	95	Overpayment of Allowances under The Family Benefits Act.	Status to be verified at time of next audit in this area.
1975-76	98	Ministry of Culture and Recreation Absence of regulatory authority for grant payments.	Status to be verified at time of next audit in this area.
1975-76	100	Meal and Accommodation Costs.	Status to be verified at time of next audit in this area.
1975-76	101	Suggested change in accounting for net profits of the Ontario Lottery Corporation.	Treasurer of Ontario prefers to retain the current method of accounting presentation.
1975-76	103	Ministry of the Environment Improved procedures recommended re provincial sewage works project.	Partially implemented at time of most recent audit—see further comment in section 77 of 1976-77 Report.
1974-75	99	Ministry of Government Services Accounts receivable re the recovery of prior years' expenditure.	Partially implemented. Area will be reviewed further in future audits.
1975-76	105	Non-current bank reconciliations.	Implemented.
1974-75	104	Ministry of Health Delayed recovery of overpayments re Home Care Assistance.	Implemented.

STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS
AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT

REPORT	SECTION	CAPTION	
1974-75	105	Ministry of Health (Cont'd) Duplication of subsidy to public general hospitals for computer costs.	Implemented.
1974-75	109	Disposition of uncashed cheques originally issued in payment of medical claims.	Applicable accounting policy in process of review.
1975-76	106	Changes recommended in cash advance arrangements for federal subsidies.	Substantially implemented.
1975-76	107	Excessive number of participants per claim history records, Ontario Health Insurance Plan.	Implemented.
1975-76	108	Improved control necessary, Ontario Drug Benefit Plan.	Implemented.
1975-76	109	Incomplete control over industrial therapy workshop expenditures, Kingston Psychiatric Hospital.	Status to be verified at time of next audit in this area.
1975-76	110	Insufficient monitoring of service verification letter program, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.
1975-76	111	Medical and Practitioner Review Committees, Ontario Health Insurance Plan.	Substantially implemented. For further comment in respect of Medical and Practitioner Review Committees see section 86 of 1976-77 Report.
1975-76	112	Possible conflict of interest regarding ownership of medical laboratories.	Resolved by regulation filed March 31, 1977.
1975-76	113	Possible loss of premium revenue, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED
IN THE PROVINCIAL AUDITOR'S PREVIOUS REPORTS—CONTINUED

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
1975-76	114	Ministry of Health (Cont'd) Review of physicians' earnings, Ontario Health Insurance Plan.	Implemented.
1975-76	115	Subrogation recoveries, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.
1975-76	116	Substantial payments to insured persons re psychotherapy services, Ontario Health Insurance Plan.	Proposal has been developed and is being discussed with appropriate medical bodies.
1975-76	117	Ministry of Industry and Tourism Waiver of licensing requirements.	Status to be verified at time of next audit in this area.
1975-76	118	Ministry of Labour Improvements recommended in inventory control.	Status to be verified at time of next audit in this area.
1974-75	113	Ministry of Natural Resources Adverse observations re administrative expenditures.	Substantially implemented.
1975-76	119	Apparent under-utilization of aircraft.	Status to be verified at time of next audit in this area.
1974-75	117	Ministry of the Solicitor General Non-recovery of costs of services provided by the Ontario Provincial Police.	In its December, 1976 Report to the Legislature the Standing Public Accounts Committee recommended (#11) that a method be developed to rationalize the costing of police services to insure that costs are recovered. See status of this recommendation in Exhibit 12.
1975-76	121	Recommendation re Ontario Police College Library Fund.	Status to be verified at time of next audit in this area.

STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS
AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT

CAPTION

SECTION

REPORT

Ministry of Transportation and Communications

119 Delayed receipt of rental income from expressway property.

Substantially implemented.

120 Inadequate control over vehicle registration fees.

Partially implemented at time of most recent audit—see further comment in section 98 of 1976-77 Report.

125 Refund policy not consistent with legislation.

Scheduled for implementation in 1977. Will be followed up at time of next audit in this area.

122 Costs not yet recovered.

Status to be verified at time of next audit in this area.

123 Delayed settlement of amount recoverable under Go Transit bus service agreement.

Status to be verified at time of next audit in this area.

124 Lack of adequate control procedures re licensing of motor vehicle inspection stations.

Status to be verified at time of next audit in this area.

Ministry of Treasury, Economics and Intergovernmental Affairs

126 Observations re trading activities in investment securities.

Implemented.

128 Unreconciled accounts re investment in debenture issue.

Implemented.

Crown Agencies

154 Workmen's Compensation Board.

In the Fourth Report of the Standing Public Accounts Committee to the Legislature in December, 1976, the Committee recommended (#12) that the Ministry of Labour review the Workmen's Compensation Act to determine if amendments are necessary to clarify administrative matters. See status of this recommendation in Exhibit 12.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN THE PROVINCIAL AUDITOR'S PREVIOUS REPORTS—CONTINUED

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
		Crown Agencies (Cont'd)	
1975-76	136	Alcoholism and Drug Addiction Research Foundation—various recommendations.	Substantially implemented.
1975-76	139	The Niagara Parks Commission.	Implemented.
1975-76	141	Office of the Ombudsman—improved procedures recommended.	Partially implemented at time of most recent audit—see further comments in section 113 of 1976-77 Report.
1975-76	142	The Ontario Cancer Treatment and Research Foundation—Recommendations for improved accounting procedures and internal control.	Substantially implemented.
1975-76	144	Ontario Housing Corporation—Control weaknesses.	Partially implemented—see further comment in section 114 of 1976-77 Report.
1975-76	146	Ontario Northland Transportation Commission—Procedural improvements warranted.	Substantially implemented.
1975-76	148	The Province of Ontario Savings Office.	Not implemented at time of most recent audit—see further comment in section 118 of 1976-77 Report.
1975-76	151	Ontario Land Corporation—Operational improvements recommended.	Partially implemented—see further comment in section 115 of 1976-77 Report.

NOTE: This Exhibit provides the status on all suggested corrective action and recommendations which were:

- (i) not fully implemented per Exhibit 11 in the 1975-76 Auditor's Report,
- (ii) contained in the body of the 1975-76 Auditor's Report.

**STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE
STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY**

(See Note)

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
July 10, 1975	1.	Arising out of the statement of the Auditor to the Public Accounts Committee April 8th, 1975, the Committee recommends again that costs of Boards and Commissions be regulated and controlled and that budgets be struck and that specific regulations in regard to these Boards and Commissions be laid down by Management Board of Cabinet.	On May 12, 1977 the Secretary of Management Board of Cabinet advised: <p>"A policy and guidelines relating to the administration of Royal Commission studies were approved by Management Board on April 26th, 1977. Some implementation details are currently being investigated, following which the policy will be issued.</p> <p>"A policy relating to the appropriate degree of control of agencies, boards and commissions and the applicability of the Manual of Administration was reviewed by Management Board on May 2nd, 1977. The Chairman of Management Board is in the process of discussing the implications with his colleagues following which it is hoped to issue the policy guidelines and appropriate groupings of agencies.</p> <p>"A policy dealing with the administrative arrangements (such as travel) for part-time members of agencies, boards and commissions has been prepared. This policy was approved by Management Board on February 10, 1976."</p>
July 10, 1975	3.	The Committee again recommends that the Student Awards Program have some penalties incorporated in it for those who try to defraud the system.	On April 18, 1977 the Deputy Minister of Colleges and Universities wrote to us as follows: <p>"The Ministry is committed to a major revision of the Ontario Student Assistance Program for the 1978-79 fiscal year, and we are presently conducting an in-depth examination of the whole program. The matter of penalties is one of the items which is under review and, should a decision be made to impose them, the relevant revisions to the legislation will be made."</p>

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
July 10, 1975	4.	The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.	The Deputy Minister of Government Services provided the following information on May 4, 1977: “... a decision was made to establish a ‘Commission on Privacy of Information’, under the Chairmanship of Dr. D. Carlton Williams, the President of Western University. I believe that the Commission will be commencing its work in the near future. “Pending direction on general government policy, the use and application of data continues to be controlled by the client Ministries. “Security at Computer Centres continues in accordance with prevailing industry standards and is under constant review. . . .”
July 10, 1975	7.	The Committee has been informed that we now have an agency of record, Foster Advertising, which in fact does the buying of media time for the government as a whole. This has led to savings for the provincial government. An agency of record is “the advertising agency appointed to act as senior purchasing authority for all media space and time purchased on behalf of the Ontario Government”. The Committee recommends that advertising expenditures of government Ministries and agencies be confined to providing information as to government programs or where they can be applied for.	The Chairman of Management Board wrote to all Ministers on February 23, 1976 drawing to their attention the Committee's recommendation. He added that it was the Government's intent that advertising funds should be spent as indicated by the Committee to achieve the objectives of the program.

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
July 10, 1975	10.	The Committee recommends that the Auditor continue to monitor the situation at the Queen Street Mental Health Centre to ensure that regulations are being followed.	Adherence to regulations will be monitored in all future audits of this facility. Any significant deviations will be included in our annual reports to the Legislature.
July 10, 1975	15.	The Committee further recommends that the government issue a statement on the future of Minaki Lodge.	See subsequent recommendations #1 and #2 in the March 29, 1977 report of the Standing Public Accounts Committee.
July 10, 1975	17.	The Committee recommends that the Ontario Canteen Fund affairs be wound up. The Committee further recommends that in view of the costs of dispensing assistance that the Soldiers' Aid Commission be phased out and administration of the program be assumed by the Ministry of Community and Social Services.	<p>The Deputy Minister of Community and Social Services wrote on May 5, 1977 to advise:</p> <p>"The Canteen Fund went out of operation completely in 1976.</p> <p>"The Government has decided that the Soldiers' Aid Commission should be continued, and it will be working closely with local Legion Branches.</p> <p>"The staff of the Commission and its administrative operations have been transferred to the Provincial Benefits Branch."</p>
July 10, 1975	18.	<p>The Committee recommends that the Auditor report to the Committee in the next Session as to the progress of Ontario Housing Corporation in implementing the Auditor's recommendations. These recommendations include:</p> <ol style="list-style-type: none"> 1. increased effort to insure that the income of tenants in rental housing properties is verified on an annual basis; 2. immediate action to correct observed deficiencies in the handling of N.S.F. cheques; 3. incorporation of monthly follow-up and balancing procedures in the new accounting system being developed for the rent supplement program; 	<p>While some improvement was noted in the specified areas, further corrective action in these and other areas was required. See comments in the 1975-76 Auditor's Report (section 144) and the 1976-77 Auditor's Report (section 114).</p>

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
		4. improved internal control over receipts through prompt deposit of cheques received.	
July 10, 1975	20.	The Committee recommends that the Ontario Council for the Arts be made more aware of their responsibility in the use of public moneys and that expense accounts particularly be carefully monitored. The practice of entertaining people who are approaching the Council for grants at the Council's expense should be discontinued.	This recommendation was repeated as recommendation #5 in the December 14, 1976 report of the Standing Public Accounts Committee. See status of latter recommendation.
July 10, 1975	22.	The Committee reiterates the recommendation of the Public Accounts Committee of November 15, 1973, "that the Treasurer introduce legislation which would require Management Board orders and Special Warrants be placed before the Legislature for ratification". The Committee feels this is in line with the responsibility and accountability of the government to the Legislature.	This recommendation was repeated as recommendation #9 in the December 14, 1976 report of the Standing Public Accounts Committee. See status of latter recommendation.
July 10, 1975	23.	The Provincial Auditor brought to the attention of the Legislature and this Committee the inconsistency of the audit provision in agency legislation. The Committee recommends that all agency legislation provide for a uniform audit provision that would require the Provincial Auditor to perform or direct the annual audit of Crown Corporations and Agencies.	New provisions relative to the audit of Crown Corporations and Agencies are included in the draft of a new Audit Act. For further comment on this proposed legislation see section 3 of the 1976-77 Auditor's Report.

July 10, 1975

24.

The Committee was advised that certain sections of The Audit Act are redundant now that the Province is on a post-audit basis. Therefore, the Committee recommends that consideration be given to drafting a new Audit Act. This Act should include provisions with respect to:

1. the protection of the Provincial Auditor and his staff appearing before a Committee of the Assembly;
2. relationship of the Auditor to the Standing Committee on Public Accounts.

The Committee requests that the new Audit Act be referred to the Standing Committee on Public Accounts by the Legislature for clause by clause review.

Dec. 14, 1976

1.

The Committee recommends that it be empowered to consider expenditures for the year 1975-76 under The Ontario Home Buyers Grant Act, 1975.

This recommendation, which was repeated in the December 14, 1976 report of the Committee, took the form of a request to the Legislature.

The Legislature granted this authority to the Committee on November 18, 1976. The expenditures in question were considered by the Committee during its meetings of December 2, 1976 and December 9, 1976.

Dec. 14, 1976

2.

The Committee recommends that it be empowered to examine the sale in May 1976 of 280 acres of land from Ronto Development Co. of Willowdale to George Wimpey (Canada) Ltd. of Waterloo and further that a complete record of all expenditures and disbursements in the transaction be provided to the Committee, and that the Minister of Revenue supply to the Committee all documents that were filed in connection with the applications for exemption made

This recommendation, which was repeated in the December 14, 1976 report of the Committee, took the form of a request to the Legislature.

The Legislature granted this authority to the Committee on November 25, 1976. Documents were furnished to the Committee and the matter was extensively reviewed at Committee meetings held during the period December 1976 through March 1977. For further comment in this regard see section 95 of the 1976-77 Auditor's Report.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
Dec. 14, 1976	3.	<p>herein and that the appropriate officials of the Ministry of Revenue attend for the purpose of giving evidence in relation to these matters, to the extent permitted by law.</p> <p>The Committee recommends that as provided in Section 35 of the Legislative Assembly Act the Legislature authorize Mr. Speaker to issue his warrant for the production to the Public Accounts Committee of the records of the Ontario Hospital Insurance Plan respecting payments of income to individual licensed practitioners in excess of One Hundred Thousand Dollars during the fiscal year 1974-75. Such records to include the name, address, nature of practice and any income derived from clinical billings of the practitioner.</p>	<p>This recommendation, which was repeated in the December 14, 1976 report of the Committee, took the form of a request to the Legislature.</p> <p>The Speaker issued his warrant on December 9, 1976. The records in question were tabled with the Committee on December 15, 1976.</p>
Dec. 14, 1976	4.	<p>The Committee further recommends that at the next Session during which the Public Accounts Committee will be active that the Committee receive a report from the Auditor in regard to the Ontario Educational Communications Authority.</p>	<p>A similar recommendation was contained in the July 10, 1975 report of the Committee and a report was submitted to the Committee by the Provincial Auditor on March 30, 1976.</p> <p>During the next Session in which the Public Accounts Committee is active the Provincial Auditor will submit a further report.</p>
Dec. 14, 1976	5.	<p>The Committee recommends that the Ontario Council for the Arts be made more aware of their responsibility in the use of public moneys and that expense accounts particularly be very carefully monitored. The practice of entertaining people who</p>	<p>On April 29, 1977 the Minister of Culture and Recreation advised that the Council had introduced revised procedures on expense claims, and that a new policy on hospitality expenses had been adopted by the Council in January 1977. This policy states, among other things, that "hospitality will not be extended to individuals or representatives of organizations in</p>

are approaching the Council for grants at the Council's expense should be discontinued.

Dec. 14, 1976

6.

The Committee recommends that regulations be introduced prohibiting hospital staff doctors, who own laboratories, from in any manner influencing the allocation of any laboratory work to the said laboratories.

Dec. 14, 1976

7.

The Committee further recommends that an independent study be undertaken analyzing the need for cost, location, operation and regulation of private medical laboratories.

Dec. 14, 1976

8.

On November 4, 1976 the Committee wrote to the Ministry of Health requesting "that records of OHIP statements of payment of income to individual licensed practitioners in excess of \$100,000 during the fiscal year 1974-75 be made available to the Committee. Such records to include the name, address, nature of practice and any income derived from clinical billings of the practitioner."

The Committee recommends that said documents when available be transmitted to the Committee and to the Provincial Auditor for analysis and comment. The Committee fur-

connection with their own application for a grant".

On April 27, 1977 the Deputy Minister of Health advised:

"Ontario Regulation 195/77 will come into force on the 16th day of September, 1977. The Ministry will inform all owners of laboratories of the new Regulation, and a Statement of Ownership of Licensed Laboratories will be required of the owners and operators of all licensed private laboratories."

On April 27, 1977 the Deputy Minister of Health wrote to us and his comments were, in part, as follows:

"The feasibility of the laboratory cost study is questionable until such time as the cost benefits have been clearly demonstrated. In the future, the plan of action is to ask consultants for more specific details for their approach to the study and to research previous laboratory cost studies in Canada and the U.S.A.

"At this time, we are awaiting comments on the terms of reference from the Ontario Association of Medical Laboratories and the Ontario Hospital Association."

The records in question were transmitted to the Committee and to the Provincial Auditor on December 15, 1976.

The Provincial Auditor analysed the documents and tabled a report with the Committee on April 28, 1977. For further comment see section 86 of the 1976-77 Auditor's Report.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
Dec. 14, 1976	9.	<p>her recommends that the Provincial Auditor report his findings to the Committee at the next session during which the Public Accounts Committee will be active.</p> <p>The Committee reiterates the recommendation of the Public Accounts Committee of November 15, 1973, "that the Treasurer introduce legislation which would require Management Board Orders and Special Warrants be placed before the Legislature for ratification".</p> <p>The Committee feels this is in line with the responsibility and accountability of the government to the Legislature.</p>	<p>The Secretary of the Management Board of Cabinet wrote to us on April 29, 1977 and advised that this subject had been extensively discussed by many interested parties, including the Treasurer of Ontario and the Select Committee on the Fourth and Fifth Reports of the Ontario Commission on the Legislature:</p> <p>"The final consensus was that the MBO's would be tabled with the Treasurer's quarterly financial reports, as well as with the year-end report. This procedure was recommended by the Select Committee to the Legislature and has been accepted as the rules of the House.</p> <p>"Special Warrants will be placed before the Legislature on the first day of each new session."</p>
Dec. 14, 1976	10.	<p>The Committee recommends that detailed regulations be developed setting out the criteria for the payment of grants to Universities and Colleges.</p>	<p>On April 4, 1977 the Deputy Minister of Colleges and Universities advised:</p> <p>"Preliminary work on the regulations has started and hopefully should be completed to cover all or a major part of 1978-79 fiscal year transfer payments."</p>
Dec. 14, 1976	11.	<p>The Committee recommends that a method be developed to rationalize the costing of police services to ensure that costs are covered.</p>	<p>On April 4, 1977 the Deputy Solicitor General fully outlined for us the arrangements made whereunder regional municipalities would either take over the policing function or assume the costs thereof.</p>

STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT

On March 10, 1977 the Vice-Chairman of Administration of the Workmen's Compensation Board advised the Deputy Minister of Labour as follows:

"... the Board noted the issues raised and it agreed that it would be useful to clarify its ancillary powers in administrative matters the next time the Act is opened for amendments."

The proposed legislation was introduced on July 6, 1977 but had only received first reading prior to the adjournment of the Legislature on July 12, 1977. It is expected that the new Act will be re-introduced during the next session of the Legislature, and that it will be referred to the Standing Public Accounts Committee for clause by clause review. For further comment concerning the new Audit Act see section 3 of the 1976-77 Auditor's Report.

An order of the Legislative Assembly, passed on December 16, 1976, stipulated (Item 21) that "A full Hansard service shall be provided to Committees considering Estimates, and a tape recording without transcription shall be made of all other standing committee proceedings".

On May 4, 1977 the Deputy Minister of Revenue advised:

"... audit of the grants paid under this program is being maintained at a relatively consistent level. It is expected that this level will be maintained for the balance of the year with periodic monitoring of the program to evaluate results. Various alternatives for continuing the audit are being considered. In the meantime the audit is proceeding with the resources allocated to it and originally made available to the program."

See section 97 for further comment re Home Buyers' Grants.

As at the date of the 1976-77 Auditor's Report the Legislature had not appointed such a Committee.

CONTENT OF RECOMMENDATION

The Committee recommends that the Ministry review The Workmen's Compensation Act to determine if amendments are necessary to clarify administrative matters.

The Committee has been advised that a new Audit Act is in the hands of the Treasurer. The Committee repeats the recommendation contained in its July 1975 Interim Report that the new Audit Act be referred to the Standing Committee on Public Accounts by the Legislature for clause by clause review.

The Committee recommends that the proceedings of the Public Accounts Committee be taped and transcribed but not printed.

The Committee recommends that the Minister of Revenue undertake a complete audit of all First Time Home Buyers' Grants and recover all payments made either in error or illegally. The said audit and recovery should be completed by the end of 1977.

The Committee recommends that the Legislature appoint a Committee to study the function and the role of the Public Accounts Committee.

REPORT DATE

Dec. 14, 1976

Dec. 14, 1976

Dec. 14, 1976

Dec. 14, 1976

Dec. 14, 1976

RECOMMENDATION

12.

13.

14.

15.

16.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
March 29, 1977	1.	The Committee recommends that every reasonable step should be taken by the Ministry to dispose of the assets of Minaki Lodge by sale to the private market.	On September 9, 1977 the Deputy Minister of Industry and Tourism wrote as follows: <p>"Members of the Board of Directors have actively solicited private developers with a view of their making an offer to purchase the two companies involved i.e. Minaki Development Company Limited and Minaki Lodge Resort Limited. Generally, the companies contacted have indicated initial interest, but have retracted upon closer examination.</p> <p>"As a result of the responses to solicited proposals to date, the Board of Directors feel the solution to the Minaki situation may better be found in the Committee's second recommendation."</p>
March 29, 1977	2.	The Committee recommends that, failing recommendation number 1, the Government should develop a plan for the future of Minaki Lodge and report to the House as soon as possible.	On September 9, 1977 the Deputy Minister of Industry and Tourism wrote as follows: <p>"The Board of Directors are at present continuing consideration of alternative courses of action."</p>
March 29, 1977	3.	The Committee recommends that every Ministry of the Government when presenting a submission to Cabinet for capital funding for a major project, such as Minaki Lodge, must fully develop a complete plan after a thorough investigation and the presentation should include all projected capital and operating costs as well as all related costs (i.e. hydro, roads, etc.).	On July 18, 1977 the Secretary of the Management Board of Cabinet advised as follows: <p>"Instructions on the content of Cabinet submissions were issued to all Ministries by the Cabinet Office in 1973 and revised in 1974. In order to provide more definitive guidelines regarding capital projects specifically, an interministry task force is currently developing policies and guidelines for the use of ministries in the evaluation and presentation of capital projects. The task force which is under the leadership of the Management Board Secretariat is expected to complete draft policies and guidelines by this fall for review by the Management Board."</p>

REPORT DATE	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1976-77 AUDITOR'S REPORT
March 29, 1977	—	The Committee further recommends that the Government should explore the process for acquisition of property by the Development Corporations and examine the appropriateness of retaining ownership by the Development Corporations as compared to direct ownership by a Ministry or by an appropriate Crown Corporation.	On August 24, 1977 the Secretary of the Management Board of Cabinet advised that the Management Board Secretariat had discussed the matter and concluded that the issue is dependant upon the role which is defined by the Ministry of Industry and Tourism for the development corporations. The Secretary referred the questions of the acquisition and ownership of property for address by the Ministry.
March 29, 1977 (Separate Report)	—	The Committee is of the opinion that government exemption of Ronto Development Corporation from land speculation tax by regulation made April 14th 1976, and all circumstances related thereto, require the fullest investigation, which can best be conducted by a Select Committee of the Legislature with power to sit while the House is in session, power to retain counsel and staff and power to send for persons and papers.	A judicial inquiry into the matter was authorized by Order in Council dated April 20, 1977. For further comment see section 95 of the 1976-77 Auditor's Report.

NOTE: This Exhibit includes the recommendations contained in the Standing Public Accounts Committee's July 10, 1975 Report to the Legislature which were considered unresolved as at the date of our 1975-76 Auditor's Report (see section 12 of the 1975-76 Auditor's Report). The Exhibit also includes all of the recommendations contained in the Committee's Reports to the Legislature dated December 16, 1976 and March 29, 1977.

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Province of Ontario

Report of the
PROVINCIAL AUDITOR
to the
LEGISLATIVE ASSEMBLY



For the Year Ended

March 31, 1978



Province of Ontario

**Report of the
PROVINCIAL AUDITOR
to the
LEGISLATIVE ASSEMBLY**

For the Year Ended

March 31, 1978

TORONTO
PRINTED AND PUBLISHED BY THE QUEEN'S PRINTER
1978

THE HONOURABLE J. E. STOKES, M.P.P.,

*Speaker of the Assembly,
Province of Ontario.*

Dear Sir:

I have the honour to present my report for the year ended March 31, 1978. While my duties were carried out in accordance with the previous legislation, The Audit Act (R.S.O. 1970, as amended), which was in effect until the end of the 1977-78 fiscal year, this report is presented in accordance with the requirements of the current legislation, The Audit Act, 1977.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'F. N. Scott', written in a cursive style.

F. N. SCOTT, C.A.,
Provincial Auditor.

Toronto, September 29, 1978.

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OFFICE OF THE PROVINCIAL AUDITOR

1. Introduction. The Audit Act, 1977, containing certain sections designed to strengthen the role, responsibility and independence of the Provincial Auditor, came into force on April 1, 1978. However, for the year ended March 31, 1978, on which this Report is based, our duties were carried out in accordance with the previous legislation, The Audit Act, which was in effect until the end of the 1977-78 fiscal year.

Accordingly, the ensuing two sections of this Report, dealing with our audit and reporting responsibilities, relate to The Audit Act. Because of its significance, the new Act (The Audit Act, 1977) is described in detail in section 4 of the Report.

2. Audit Responsibilities. For the year ended March 31, 1978, the audit responsibilities of the Provincial Auditor were twofold, and involved the examination of:

- (i) The accounts of the Province in accordance with his appointment as auditor under The Audit Act.
- (ii) The accounts of Boards, Commissions and other Crown Agencies in accordance with his appointment as auditor under various related statutes or other appropriate authorities.

The examination of the accounts of the Province was made in conformity with section 19 of The Audit Act which reads as follows:

“19.—(1) The Auditor shall, on behalf of the Assembly, examine in such manner as he considers necessary all accounts of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund whether held in trust or otherwise in order to ascertain that adequate regulations and procedures are in operation,

- (a) to secure an effective check on the assessment, collection and allocation of revenue; and
- (b) to ensure that expenditures have been made in accordance with legislative authority. 1971, c. 54, s. 4.

(2) The Auditor shall satisfy himself as to the correctness of the accounts mentioned in subsection 1. R.S.O. 1970, c. 36, s. 19(2).”

All Ministries were subject to examination in accordance with section 19 throughout the 1977-78 fiscal year. A listing of the revenue and expenditure audits covered by this Report appears in Exhibit 6.

For the year ended March 31, 1978 the Provincial Auditor had audit responsibility for forty-seven Boards, Commissions and other Crown Agencies pursuant to his appointment as auditor under the various related statutes. These Agencies are listed in Exhibit 7 to this Report. Three of these Agencies were inactive during 1977-78. Further comment in this regard is contained in section 88.

The Provincial Auditor had audit responsibility during the year for five other Agencies as a result of his appointment as auditor by shareholders or membership bodies. A listing of these Agencies appears in Exhibit 7.

Exhibit 7 lists five other operations for which the Provincial Auditor's audit responsibility has not been specifically designated. The Provincial Auditor has undertaken to audit them on the same basis as Crown Agencies. In each case the audit is made in accordance with the Provincial Auditor's responsibilities under The Audit Act.

It should be noted that not all Crown Agencies are audited by the Provincial Auditor. In accordance with relevant legislation, public accountants have been designated as auditors for certain Agencies. These Agencies include the Clarke Institute of Psychiatry, The Ontario Cancer Institute, Ontario Energy Corporation, Ontario Hydro, Ontario Historical Studies Series, Ontario Mental Health Foundation, Ontario Municipal Employee Retirement Board, The Ontario Transportation Development Corporation, Ontario Share and Deposit Insurance Corporation, Ontario Research Foundation, The Royal Ontario Museum, St. Clair Parkway Commission, Teachers' Superannuation Fund and the Urban Transportation Development Corporation.

Public accountants have also been designated as auditors for the Ontario Land Corporation, the Workmen's Compensation Board and the Toronto Area Transit Operating Authority. However, in these cases, unlike those cited in the preceding paragraph, the governing legislation does involve the Provincial Auditor. With respect to the Ontario Land Corporation and the Workmen's Compensation Board, the legislation requires that the audit by the appointed auditors be conducted under the direction of the Provincial Auditor. With respect to the Toronto Area Transit Operating Authority, the legislation stipulates that the auditor's report and working papers be made available to the Provincial Auditor.

3. Reporting Responsibilities. Under section 20 of The Audit Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of his examinations. Section 20 reads as follows:

"20.—(1) The Auditor shall make an annual report to the Assembly respecting the fiscal year then closed,

- (a) as to his examination of accounts of receipts and payments of public moneys;
- (b) as to his examination of the statements of assets and liabilities, the Consolidated Revenue Fund, the net general revenue and expenditures and related statements in which he shall express an opinion as to whether the statements present fairly the financial position of the Province and the results of its operations and whether the statements were prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period;

- (c) as to all special warrants issued and the amounts expended thereunder;
- (ca) as to all cheques for the issue of which he has refused to certify, citing the date and the amount of any expenditures incurred in consequence thereof;
- (d) as to all orders of the Management Board of Cabinet issued for the authorization of expenditure in excess of appropriations, citing the date, the amount authorized and the amount expended;
- (e) as to any important change in the extent or character of any examination made by him; and
- (f) as to such matters as he desires to bring to the attention of the Assembly. R.S.O. 1970, c. 36, s. 20(1); 1971, c. 54, s. 5(1).

For reference and identification purposes the above legislative provisions can be related to the content of this Report, or otherwise commented upon, as follows:

- 20(1)(a) : Refer to "Comments on Revenue and Expenditure Transactions" (sections 39 - 86) and "Comments on Crown Agency Transactions" (sections 87 - 104).
- 20(1)(f) : Refer to "Provincial Auditor's Opinion" (Exhibit 1); "Comments on Assets and Liabilities" (sections 30 - 38) and "Comments on Consolidated Revenue Fund" (sections 15 - 29).
- 20(1)(b) : Refer to "Provincial Auditor's Opinion" (Exhibit 1); "Comments on Assets and Liabilities" (sections 30 - 38) and "Comments on Consolidated Revenue Fund" (sections 15 - 29).
- 20(1)(c) : Three Special Warrants were issued during the 1977-78 fiscal year (section 86).
- 20(1)(ca) : This provision is no longer applicable as, effective with the 1974-75 fiscal year, all expenditure review has been on a post-audit basis.
- 20(1)(d) : Refer to Exhibit 3.
- 20(1)(e) : No significant changes were made during the year in the extent or character of the Provincial Auditor's examination.

As previously indicated, in the case of certain Crown Agencies audited by public accountants, relevant legislation contains no reference to direction by the Provincial Auditor, and makes no provision for any access by the Provincial Auditor to the records of either the Agency or the appointed auditor. Consequently, the Provincial Auditor is not able to comment with respect to these Agencies. The absence of such comment in this Report is consistent with section 21 of The Audit Act which reads:

"Nothing in this Act shall be construed to require the Auditor to examine or report upon the accounts of any agency of the Crown if the Lieutenant Governor in Council, in pursuant of statutory authority in that behalf, has

designated another auditor to examine and report upon the accounts of such agency. R.S.O. 1970, c. 36, s. 21."

4. New Audit Act. As covered in section 3 of the 1976-77 Report, the legislation governing the Provincial Auditor up to March 31, 1978 was originally passed in 1950 and was most recently amended in 1971. A number of the legislative provisions pertained to the pre-audit basis of expenditure review, which was completely phased out during the 1973-74 fiscal year.

Additionally, it was felt there was a definite need to strengthen the role, responsibility and independence of the Provincial Auditor. Such strengthening was felt to be necessary, in part, in view of the increasing complexity and cost of government where, in Ontario, expenditure had reached approximately \$12 billion during 1976-77.

Cognizance was also taken of the Report of the Independent Review Committee on the Office of the Auditor General, which was issued in March 1975. One of the several significant recommendations contained in the Report called for the Auditor General to report to the House of Commons any cases where he had observed that value for money had not been obtained.

Further, in its July 10, 1975 Report to the Legislature of Ontario, the Standing Public Accounts Committee recommended that consideration be given to drafting a new Audit Act.

The foregoing factors all contributed to the passage of The Audit Act, 1977, which received Royal assent on December 16, 1977 and was proclaimed as coming into force on April 1, 1978. Accordingly, our Report for the year ended March 31, 1979 will be prepared pursuant to the provisions of the new Act. The major changes in this new Act are described as follows:

1. The Provincial Auditor will now be required to report on any cases where he has observed that money was expended without due regard to economy and efficiency, as well as any adverse observations related to the procedures undertaken by ministries, agencies or Crown controlled corporations to measure the effectiveness of their programs. In this regard, reference should be made to section 12(2)(f)(iv) and (v) of The Audit Act, 1977.
2. In the case of any grant payments made by the Province or an agency of the Crown, section 13 of the Act provides that the Provincial Auditor may perform inspection audits thereof, and also may obtain a full accounting of the disposition of such grants from the recipients. An inspection audit is defined as an examination of accounting records.

It should be noted that the broad powers granted under this section of the Act will be exercised with a great deal of discretion. Inspection audits will primarily be concerned with compliance, i.e. verification that grants were, in fact, used for the purposes for which they were made. However, to a certain extent, such audits may also deal with the factors of economy and efficiency.

3. The powers and responsibilities of the Provincial Auditor have been expanded regarding the audits of agencies of the Crown and Crown controlled corporations, as defined in section 1(a) and (e) of The Audit Act, 1977.

By way of background, the legislation establishing many boards, commissions, corporations and other similar agencies specifies that the body be audited by the Provincial Auditor. However, the legislation in a number of instances permits the appointment of other auditors, either directly by the Board of the particular body or by the Lieutenant Governor in Council.

The Provincial Auditor has always been concerned with the apparent lack of rationale between the bodies that he was required to audit and those which were audited by public accountants. Such concern has also been expressed by the Standing Public Accounts Committee of the Legislature, primarily because access to information regarding bodies audited by public accountants was not available to the Committee, since such auditors do not report to the Legislature. In its July 10, 1975 Report, the Committee recommended that "all agency legislation provide for a uniform audit provision that would require the Provincial Auditor to perform or direct the annual audit of Crown Corporations and Agencies".

In attempting to resolve this matter in drafting the new Audit Act, note was made of the multitude of boards, commissions and other similar agencies existing in Ontario, as well as the many school boards, universities, conservation authorities, public hospitals and other provincially-funded bodies.

Therefore, in order that the Provincial Auditor would not be burdened with an overwhelming, if not impossible, audit responsibility, it was felt reasonable to limit our agency and corporation audit activities to those bodies where, generally:

- a) the Provincial Auditor had been appointed auditor by legislation or otherwise (by the Lieutenant Governor in Council, shareholders, etc.); or
- b) the Government had endeavoured through legislation or otherwise to exercise a measure of control over the body through either the appointment of an auditor by the Lieutenant Governor in Council, the ownership of more than 50 per cent of the issued share capital, or through the appointment of a majority of the board of directors by the Lieutenant Governor in Council.

Based on the foregoing, definitions were developed for an "agency of the Crown" (section 1(a) of the new Act) and a "Crown controlled corporation" (section 1(e) of the new Act).

In the case of agencies of the Crown, section 9(2) of The Audit Act, 1977 provides that in instances where an agency is audited by someone

other than the Provincial Auditor, the audit is to be performed under the direction of the Provincial Auditor, and such other auditor is required to report to the Provincial Auditor.

In the case of Crown controlled corporations, section 9(3) of The Audit Act, 1977 provides that in instances where such a corporation is audited by someone other than the Provincial Auditor, such other auditor or auditors are required, upon completion of the audit, to deliver to the Provincial Auditor a copy of the audited financial statements together with a copy of the report of their findings and recommendations to management (i.e. management letter). Additionally, the Provincial Auditor will have access, if required, to the working papers and other documents related to the audit of such corporations.

4. Various sections of the new Act serve to improve the independence of the Provincial Auditor. While it can be fairly stated that the Auditor has had no interference whatsoever from the Government in the past, it was felt advisable to spell out his independence in legislation, in order to ensure continuance of this situation. In this regard, section 12(1) of The Audit Act, 1977 provides that the Provincial Auditor will now submit his annual report to the Speaker, who shall table it forthwith before the Assembly. Under the prior Act, the annual report was submitted to the Lieutenant Governor in Council, and was tabled in the Assembly by a Minister of the Crown.

Section 20 of the new Act provides that, with the approval of the Board of Internal Economy, the Auditor may employ such professional and other staff as he considers necessary. This section also provides that employees of the Provincial Auditor, as opposed to being civil or public servants, are now simply employees of the Office of the Provincial Auditor.

Under section 29 of the new Act, the Auditor's annual estimates are submitted to the Board of Internal Economy. Following its review thereof, the Board then lays the estimates before the Assembly.

In summary, it can be said that both the above sections 20 and 29 contribute to an increase in the Provincial Auditor's independence by having his staffing and financial requirements approved by the Board of Internal Economy, and not by the Government.

In addition to the changes covered in the preceding summary, certain other sections of The Audit Act, 1977 should be noted. For example, section 16 of the Act spells out the Provincial Auditor's responsibilities with regard to the Standing Public Accounts Committee. At the request of the Committee, the Auditor shall attend its meetings to assist the committee in planning its agenda and conducting its review of the Public Accounts and the Auditor's annual report. Pursuant to a resolution of the committee, the Auditor is also required to examine into and report on any matter in respect of the Public Accounts.

Section 12 requires the Auditor's annual report to be submitted to the Speaker before the end of December in each year, unless the Public Accounts

have not been tabled. Under the prior Act, the time limit for submission of the annual report to the Lieutenant Governor in Council was "not later than the tenth day of the first session held in the following calendar year".

Additionally, section 12 of the new Act permits the Auditor at any time to make a special report to the Speaker relating to any matter that in his opinion should not be deferred until the annual report. The Speaker is then required to lay such special report before the Assembly forthwith.

5. Organization and Staffing. For the period covered by this Report, the Office of the Provincial Auditor consisted of four branches, each of which was administered by a Director.

Public Accounts Audit Branch:	audits the Public Accounts of the Province and public debt transactions. Responsible for the preparation of material for the Auditor's Report and liaison with the Standing Public Accounts Committee.
Revenue Audit Branch:	audits payments into the Consolidated Revenue Fund—e.g. from various tax sources, Federal subsidy programs, etc.
Expenditure Audit Branch:	audits payments out of the Consolidated Revenue Fund—e.g. administrative expenditure, grants and subsidies, etc.
Crown Agency Audit Branch:	audits Boards, Commissions and other Crown Agencies. Where specified by legislation, directs or reviews audits of Agencies performed by public accountants.

An organization chart of the Office as at March 31, 1978 is presented in Exhibit 5 to this Report.

At the date of this Report, the staff of the Office numbered seventy-four, thirty-four of whom are professionally qualified accountants. Twenty-two employees are enrolled in various stages of courses leading to professional qualification through one of the following: The Certified General Accountants Association of Ontario, The Institute of Chartered Accountants of Ontario, or The Society of Management Accountants of Ontario.

6. Staff Training and Professional Development. Recognizing the need to ensure that our auditing staff maintain the ability to carry out assignments in accordance with generally accepted auditing standards together with the use of current auditing techniques, the Office has increased its involvement in the area of staff training and professional development during the past year.

Increased emphasis has been placed on the development of and arranging for in-house courses for both student training and staff development, the provision of any needed assistance to students in connection with their accounting courses

and examinations, as well as the development and maintenance of an enlarged Office library.

Accordingly, courses and seminars have been held or are planned dealing with such subjects as payroll accounting and auditing, statistical sampling, the audit of EDP systems and new student orientation to the government budgeting and accounting process.

Section 12 of The Audit Act, 1977 places increased responsibilities on this Office regarding the audit of economy and efficiency of expenditures and the effectiveness of programs. With this in mind, certain members of the staff have been involved in research related to operational auditing together with the performance of pilot audits of an operational nature. Moreover, several reference books dealing with this subject have been added to the Office library.

7. Meeting of Legislative Auditors. Commencing in 1973 the Provincial Auditors and the Auditor General of Canada have met annually to discuss matters of mutual interest and concern, and to review the role and direction of their respective Offices. These meetings provide an excellent forum for the exchange of ideas and information, and for the development of new and better ways of discharging audit responsibilities. The sixth annual meeting was held in Edmonton on September 25-27, 1978, and was attended by two members of this Office.

8. Examination of Accounts of the Office of the Provincial Auditor. Section 25 of The Audit Act reads as follows:

"An officer, appointed by the Lieutenant Governor in Council, shall examine the accounts relating to the disbursements of public moneys on behalf of the Auditor and his staff and such officer shall report thereon to the Lieutenant Governor in Council."

Accordingly, a public accounting firm was appointed by Order in Council dated January 11, 1978 to audit the accounts of the Office of Provincial Auditor for the two year period ended March 31, 1977. This audit was completed and the following report, dated March 6, 1978, was made to the Lieutenant Governor in Council:

"We have examined the statements of expenditure of the Office of Provincial Auditor for the years ended March 31, 1976 and 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

"In our opinion, these statements present fairly the expenditures of the Office of Provincial Auditor for the years ended March 31, 1976 and 1977 in accordance with the basis of accounting described in Note 1 to the statements, applied on a consistent basis.

"As explained in Note 1 the Office's statement of expenditure for 1977 has not been prepared in accordance with the changed basis of accounting fol-

lowed by the Province of Ontario with respect to the Public Accounts for the year ended March 31, 1977."

By way of explanation, Note 1 to the statements read as follows:

"These statements for 1976 and 1977 have been prepared using the basis of accounting followed by the Province of Ontario with respect to the Public Accounts for the year ended March 31, 1976. This basis uses the 'cash flow' principle of accounting modified to allow an additional thirty days to pay for goods or services pertaining to the fiscal year just ended.

"For the year ended March 31, 1977, the Province changed its practice of accounting for bi-weekly payrolls. Payments to employees for the pay period which overlaps the fiscal year end date were to be apportioned between the 1977 and 1978 fiscal years. This change was not applicable for 1977 to the Office of Provincial Auditor and the other bodies which report directly to the Legislature and whose estimates are reviewed by the Board of Internal Economy. Had the change been applicable the effect would have been to increase the Office's 1977 expenditure by approximately \$50,000."

Under section 28 of The Audit Act, 1977, "a person or persons, not employed by the Crown or the Office of the Assembly, licensed under The Public Accountancy Act and appointed by the Board, shall examine the accounts relating to the disbursements of public money on behalf of the Office of the Auditor and shall report thereon to the Board and the chairman of the Board shall cause the report to be laid before the Assembly if it is in session or, if not, at the next ensuing session."

At its June 5, 1978 meeting, the Board of Internal Economy approved the appointment of a public accounting firm to audit the disbursements of this Office for the fiscal years ended March 31, 1978 and 1979. As at the date of this Report, the audit of disbursements relating to the year ended March 31, 1978 has been completed, and it is expected that the auditor's report will be laid before the Assembly during the fall session.

9. Timetable for Preparation and Submission of the Provincial Auditor's Annual Report to the Legislature. Section 12(1) of The Audit Act, 1977 requires that the Auditor's Report be submitted to the Speaker of the Assembly not later than December 31st each year, provided that the Public Accounts have previously been laid before the Assembly.

To comply with this section of the Act, and to allow the required time for the preparation and printing process, our Report covers audits completed to the end of September. Our 1977-78 Report, therefore, covers audit activity through the twelve month period October, 1977 to September, 1978.

PUBLIC ACCOUNTS

10. Preparation of the Public Accounts. The Public Accounts, which are published in three volumes, are prepared under the direction of the Treasurer of Ontario as stipulated in section 13 of The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972. This section reads as follows:

"The Public Accounts for the 1971-72 fiscal year and subsequent years shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

The audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, on which the Provincial Auditor expresses an opinion. This expression of opinion, which is unqualified for the 1977-78 fiscal year, appears on Page 23 of Volume 1 of the 1977-78 Public Accounts, and also forms part of Exhibit 1 of this Report.

Volume 2 contains reproductions of audited financial statements of Crown Agencies:

- a) in which the Province has an investment, or
- b) which have borrowed from the Province, or
- c) which have borrowed from others with a guarantee by the Province, or
- d) which are funded substantially or entirely by revenues generated from their operations.

In previous years, only agencies falling under categories a) and b) were included in Volume 2. However, commencing with the 1977-78 fiscal year, due to increased interest and concern being expressed both federally and provincially on Crown agency reporting, categories c) and d) were added. As a result of this change, the financial statements of eight agencies have been added to Volume 2 of the 1977-78 Public Accounts — Ontario Food Terminal Board, The Niagara Parks Commission, The St. Clair Parkway Commission, Toronto Area Transit Operating Authority, Ontario Place Corporation, Ontario Lottery Corporation, Workmen's Compensation Board and Ontario Stock Yards Board.

The details of expenditure appearing in Volume 3 of the Public Accounts are not reviewed by this Office prior to publication, but are subject to examination during our subsequent post-audit of the Ministry concerned.

11. Changes in Format, Volume 1 of Public Accounts. Certain revisions have been made in the format of Volume 1 of the 1977-78 Public Accounts, the more significant of which we believe should be described at this point.

Section 1 of Volume 1 now contains only the audited financial statements of the Province, together with the summary of significant accounting policies. Because of their magnitude, figures appearing on the financial statements are now being rounded to millions of dollars.

These financial statements consist of the statements of assets and liabilities,

consolidated revenue fund, budgetary revenue, budgetary expenditure, non-budgetary transactions and debt transactions. In previous years, the latter four statements were in the form of eight schedules to the statement of consolidated revenue fund.

An integral part of these financial statements is the notes thereto, which have been produced for the first time. These notes, to which the financial statements have been cross-referenced, provide necessary additional information relating to many of the items appearing on the statements. In previous years, information now contained in the notes formed part of various schedules to the financial statements.

The schedules to the financial statements, previously included as part of section 1 of Volume 1, are now contained in section 2. Because of information now contained in notes to the financial statements, certain schedules have, to a minor extent, been abbreviated. Since many of the items appearing on the schedules are much smaller in magnitude than those contained in the financial statements, the schedules continue to be rounded to the nearest dollar. Similarly, miscellaneous statements and Ministry statements, contained in sections 3 and 4 of Volume 1, are still stated to the nearest dollar.

For information purposes, the audited financial statements of the Province for the 1977-78 fiscal year, including the notes thereto and the summary of significant accounting policies, are reproduced as Exhibit 1 to this Report.

12. Presentation of Acquisition/Construction of Physical Assets in the Public Accounts. Expenditure with respect to the acquisition/construction of physical assets totalled \$352,189,144 for the year ended March 31, 1978, and is summarized by Ministry on page 33 of Volume 1 of the 1977-78 Public Accounts.

As indicated in the guide to the 1977-78 Public Accounts, Volume 1, page 9, the acquisition/construction of physical assets standard accounts classification includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. This standard accounts classification does not, however, include the cost of work performed by the Province's own labour force with respect to new capital formation, nor does it include the costs of materials and services provided by the Province for use by contractors on capital projects. Such costs are termed "own account" expenditure and are charged to other standard accounts classifications — salaries and wages, services, etc.

"Own account" expenditure is substantial and, according to records maintained in this regard, totalled in excess of \$70 million for the 1977-78 fiscal year.

13. The Standing Public Accounts Committee. Reference was made in our 1976-77 Report (section 12) to the formation of the Standing Public Accounts Committee for the First Session of the Thirty-First Parliament and to the fact that one Committee meeting was held prior to adjournment of the Assembly on July 12, 1977 for the summer recess.

Upon the return of the Legislature in the fall of 1977 the Committee resumed

its activities. Eight meetings were held during the period from October to December 1977, and the Committee submitted a report to the Assembly on December 15, 1977.

A new Standing Public Accounts Committee was constituted for the Second Session of the Thirty-First Parliament which commenced on February 21, 1978. This Committee consists of twelve members and, as is the custom, is chaired by a member of the Official Opposition, with party membership proportional to the respective party membership in the Legislature. During this session, which was adjourned for the summer recess on June 23, 1978, the Committee held eleven meetings in the months of March to May. Additionally, the Committee made an interim report to the Assembly on June 22, 1978.

14. Recommendations of the Standing Public Accounts Committee. For information purposes, Exhibit 9 to this Report provides the current status of recommendations contained in Reports of the Standing Public Accounts Committee to the Legislature dated July 10, 1975, December 14, 1976 and March 29, 1977 to the extent that such recommendations were considered unresolved per Exhibit 12 of our 1976-77 Report.

Exhibit 9 also summarizes the current status of recommendations contained in the Committee's December 15, 1977 Report to the Legislature, as well as the recommendations contained in the Committee's June 22, 1978 Report. In connection with the June 22, 1978 Report, it is considered that, for the most part, insufficient time has elapsed to permit effective action to be taken with regard to the recommendations contained therein. Therefore, the status of these recommendations will be covered in our 1978-79 Report to the Legislature.

COMMENTS ON THE CONSOLIDATED REVENUE FUND

15. Introductory Comments. As explained in the "Summary of Significant Accounting Policies" contained in Exhibit 1 of this Report, the transactions of the Province are presented through the Consolidated Revenue Fund in summary form according to the three distinct areas of government activity:

- "Budgetary Transactions" are operational activities involving the raising of revenue from various sources on the one hand, and the expenditures for various government programs on the other.
- "Non-Budgetary Transactions" are the lending, investment and trust administration functions.
- "Debt Transactions" are the borrowing and repayment transactions.

16. Statement of Consolidated Revenue Fund. The Statement of Consolidated Revenue Fund for the fiscal year ended March 31, 1978 is contained in Volume 1 of the Public Accounts and is reproduced in Exhibit 1 to this Report. Where necessary, 1976-77 figures have been reclassified to conform with 1977-78 presentation. The content of the Statement of Consolidated Revenue Fund may be summarized, to the nearest dollar, as follows:

	1977-78 \$	1976-77 \$
Payments into the Consolidated Revenue Fund:		
Budgetary Transactions		
Revenue	11,308,270,516	10,692,519,473
Non-Budgetary Transactions		
Receipts	320,829,794	265,374,793
Credits	420,944,613	398,826,405
Debt Transactions		
Proceeds of Loans	2,035,678,146	1,667,003,611
	<u>14,085,723,069</u>	<u>13,023,724,282</u>
Payments out of the Consolidated Revenue Fund:		
Budgetary Transactions		
Expenditure	13,129,483,713	11,921,237,211
Non-Budgetary Transactions		
Disbursements	948,938,160	907,291,213
Charges	124,983,475	116,525,210
Debt Transactions		
Retirements of Loans	137,920,247	305,776,340
	<u>14,341,325,595</u>	<u>13,250,829,974</u>
Increase (Decrease) in Consolidated Revenue Fund	(255,602,526)	(227,105,692)
Consolidated Revenue Fund: Beginning of year	803,935,692	1,031,041,384
Consolidated Revenue Fund: End of year	<u>548,333,166</u>	<u>803,935,692</u>

17. Payments into the Consolidated Revenue Fund. As indicated in the preceding summary these payments are classified as Revenue (Budgetary Transactions), Receipts and Credits (Non-Budgetary Transactions) and Proceeds of Loans (Debt Transactions). Revenue consists of moneys raised through taxation, premiums, fees, licences and permits, payments from the federal government under cost-shared programs and income from investments. Receipts are repay-

ments received relative to the investment activities (loans, advances, etc.) of the Province, while Credits are moneys received for allocation to the pension fund, deposit, trust and reserve account liabilities of the Province. Proceeds of Loans represent the moneys received from Provincial debenture issues and other borrowings.

18. Statement of Budgetary Revenue. The Statement of Budgetary Revenue is contained in Volume 1 of the 1977-78 Public Accounts and is reproduced as part of Exhibit 1 to this Report. The content of the Statement of Budgetary Revenue, to the nearest dollar, may be summarized as follows:

	1977-78 \$	1976-77 \$	Increase (Decrease) \$
Taxation			
Personal income tax	2,446,688,816	1,782,197,362	664,491,454
Retail sales tax	1,926,536,587	1,775,114,499	151,422,088
Corporations tax	1,013,541,154	1,001,722,894	11,818,260
Other	1,243,635,746	1,446,933,815	(203,298,069)
	<u>6,630,402,303</u>	<u>6,005,968,570</u>	<u>624,433,733</u>
Other Revenue			
Premiums — Ontario Health Insurance Plan	829,934,952	798,656,250	31,278,702
Profits from Crown Corporations and Boards	398,300,000	378,195,807	20,104,193
Fees, licences and permits	474,126,377	412,651,192	61,475,185
Other	265,351,472	238,040,922	27,310,550
	<u>1,967,712,801</u>	<u>1,827,544,171</u>	<u>140,168,630</u>
Government of Canada			
Reimbursements of Expenditures and Other	2,062,255,978	2,235,809,467	(173,553,489)
Interest	647,899,434	623,197,265	24,702,169
	<u>11,308,270,516</u>	<u>10,692,519,473</u>	<u>615,751,043</u>

19. Additional Comments Re Budgetary Revenue. The following comments are presented for informative purposes:

TAXATION, AND GOVERNMENT OF CANADA — REIMBURSEMENTS OF EXPENDITURES AND OTHER. The increase in Personal Income Tax revenue of \$664.5 million and a decrease of \$285.1 million in Federal Government Income Tax Revenue Guarantees, included in the grouping of other sources of Taxation revenue, accounted for a substantial portion of the net increase of \$624.4 million in Taxation revenue during the 1977-78 fiscal year.

Recoveries of expenditure made by the Province under cost-sharing projects with the Government of Canada decreased by \$173.6 million in 1977-78.

The above changes in Taxation and Government of Canada revenues result, in part, from the new Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977 (Canada) which was assented to on March 31, 1977 (see Exhibit 1 — note 10 to the financial statements).

OTHER REVENUE — PROFITS FROM CROWN CORPORATIONS AND BOARDS. Revenue transferred to the Consolidated Revenue Fund during the year from the profits of the Liquor Control Board of Ontario amounted to \$327.3 million. The comparable figure for the preceding year was \$302.2 million.

Wintario Lottery proceeds paid into the Consolidated Revenue Fund in accordance with section 9 of The Ontario Lottery Corporation Act, 1974 totalled \$71 million (1976-77, \$76 million). Section 9 of the Act further provides that such profits "be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor". During the year ended March 31, 1978, payments by the Ministry of Culture and Recreation in the form of grants for projects, facilities and events amounted to \$62.3 million. The comparable figure for the previous year was \$33.3 million. The statement of "Wintario Proceeds" is shown on page 73 of Volume 1 of the 1977-78 Public Accounts. See section 56 of this Report for comments on Wintario grants.

INTEREST ON LOANS, ADVANCES AND INVESTMENTS. The sources of interest revenue are fully detailed on pages 201-202 of Volume 1 of the 1977-78 Public Accounts.

Major sources of revenue were interest on advances to Ontario Hydro amounting to \$209.3 million, and interest on advances to The Ontario Education Capital Aid Corporation and The Ontario Universities Capital Aid Corporation of \$92.2 million and \$88.1 million respectively.

20. Non-Budgetary Transactions, Receipts and Credits. Details of Receipts and Credits, totalling \$320,829,794 and \$420,944,613 respectively for the 1977-78 fiscal year, are shown on pages 34-35 and pages 37-39 of Volume 1 of the Public Accounts. Comments with respect to certain receipt and credit items are contained in the Comments on Assets and Liabilities, sections 32-33 and 36-37 respectively of this Report.

21. Debt Transactions, Proceeds of Loans. Details of Proceeds of Loans totalling \$2,035,678,146 for the 1977-78 fiscal year are shown on pages 43-44 of Volume 1 of the Public Accounts. These moneys resulted mainly from the issue of straight term and serial Ontario debentures maturing in the years 1997 to 2017.

22. Payments out of the Consolidated Revenue Fund. As indicated in the summary contained in section 16 these payments are classified as Expenditure (Budgetary Transactions), Disbursements and Charges (Non-Budgetary Transactions) and Retirements of Loans (Debt Transactions).

Budgetary Expenditure includes payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets. Disbursements are payments made in respect of investments, loans and advances, while Charges are payments made from pension funds, deposit, trust and reserve accounts. Retirements of Loans are payments in respect of the debt obligations of the Province.

Payments out of the Consolidated Revenue Fund are of two major types: those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as The Supply Act, may be augmented by Management Board Orders. The nature of Management Board Orders is more fully explained in section 85.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 86.

A summary of the payments out of the Consolidated Revenue Fund by type and classification is as follows:

<i>Payments re</i>	<i>1977-78</i> \$	<i>1976-77</i> \$
Voted Appropriations		
Per Legislative Assembly		
Budgetary Expenditure	11,550,291,847	10,453,075,765
Disbursements	307,144,430	425,844,291
Charges	—	—
	<u>11,857,436,277</u>	<u>10,878,920,056</u>
Per Management Board Orders		
Budgetary Expenditure	151,206,380	273,819,858
Disbursements	—	26,755
Charges	—	—
	<u>151,206,380</u>	<u>273,846,613</u>
Total Voted Appropriations	<u>12,008,642,657</u>	<u>11,152,766,669</u>
Statutory Appropriations		
Budgetary Expenditure	1,426,885,486	1,194,284,254
Disbursements	641,793,730	475,170,167
Charges	124,983,475	116,525,210
Retirements of Loans	137,920,247	330,336,294
Total Statutory Appropriations	<u>2,331,582,938</u>	<u>2,116,315,925</u>
Special Warrants		
Budgetary Expenditure	1,100,000	57,334
Disbursements	—	6,250,000
Charges	—	—
Total Special Warrants	<u>1,100,000</u>	<u>6,307,334</u>
Total Payments	<u>14,341,325,595</u>	<u>13,275,389,928</u>

23. Statutory Appropriations. During the 1977-78 fiscal year Statutory Appropriation payments made under the authority of 31 Acts exceeded \$2.3 billion. This expenditure constituted 16.2 per cent of the total payments out of the Consolidated Revenue Fund. Comparative percentages for the 1976-77 and 1975-76 fiscal years were 15.8 and 16.5 respectively.

A summary, by authorizing legislation, of the four highest accumulated payments follows:

	<i>1977-78</i> \$	<i>1976-77</i> \$
The Financial Administration Act	1,430,152,527	1,422,301,067
The Power Corporation Act	450,000,000	300,000,000
The Teachers' Superannuation Act	109,017,608	82,427,467
The Ontario Education Capital Aid Corporation Act	80,992,000	77,324,000
	<u>2,070,162,135</u>	<u>1,882,052,534</u>

Expenditure under the above Acts accounted for 88.8 per cent and 90.0 per cent respectively of total Statutory Appropriation payments made in fiscal year

1977-78 and 1976-77. Public Debt interest expenditure of \$1.242 billion and \$1.069 billion for fiscal years 1977-78 and 1976-77 respectively is included in the amount shown under The Financial Administration Act.

For reference purposes, 1977-78 statutory payment activity is summarized in Exhibit 4 of this Report.

24. Comparison of Authorized and Actual Payments — Voted Appropriations. This comparison for the fiscal year ended March 31, 1978 is as follows:

	Authorized \$	Actual \$	Actual Under (Over) Authorized \$
Voted Appropriations			
Per Legislative Assembly			
Budgetary Expenditure	12,078,280,300	11,550,291,847	527,988,453
Disbursements	416,209,000	307,144,430	109,064,570
Charges	—	—	—
	<u>12,494,489,300</u>	<u>11,857,436,277</u>	<u>637,053,023</u>
Per Management Board Orders			
Budgetary Expenditure	173,871,550	151,206,380	22,665,170
Disbursements	—	—	—
Charges	—	—	—
Total Voted Appropriations	<u>12,668,360,850</u>	<u>12,008,642,657</u>	<u>659,718,193</u>

It will be noted that the amount of \$12,494,489,300 appropriated by the Legislative Assembly in itself exceeded the total actual payments of \$12,008,642,657. This excess was in the amount of \$485,846,643. Where individual votes and items were of insufficient amount, funds in excess of those authorized by the Legislative Assembly were made available under the authority of Management Board Orders.

25. Statement of Budgetary Expenditure. The Statement of Budgetary Expenditure is contained in Volume 1 of the 1977-78 Public Accounts and is reproduced in Exhibit 1 to this Report. Budgetary Expenditure may be summarized as follows:

Budgetary Expenditure re	1977-78 \$	1976-77 \$
Voted Appropriations		
Per Legislative Assembly	11,550,291,847	10,453,075,765
Per Management Board Orders	151,206,380	273,819,858
	<u>11,701,498,227</u>	<u>10,726,895,623</u>
Statutory Appropriations	1,426,885,486	1,194,284,254
Special Warrants	1,100,000	57,334
Total Budgetary Expenditure	<u>13,129,483,713</u>	<u>11,921,237,211</u>

26. Summary of Budgetary Expenditure by Ministry. The following summary compares, by Ministry, Budgetary Expenditure for the 1977-78 fiscal year with that for the 1976-77 fiscal year. Comparative figures have been reclassified where necessary to conform to 1977-78 presentation.

By way of additional information, a monthly breakdown of budgetary expenditure by Ministry is presented as Exhibit 2 to this Report.

Ministry	1977-78 \$	1976-77 \$	Increase (Decrease) \$
Office of the Lieutenant Governor	96,130	92,597	3,533
Office of The Assembly	29,750,864	16,751,833	12,999,031
Office of The Premier	1,517,195	1,442,526	74,669
Cabinet Office	893,425	1,002,099	(108,674)
Management Board of Cabinet	7,845,993	8,140,450	(294,457)
Office of Provincial Auditor	1,907,010	1,706,630	200,380
Office of the Ombudsman	4,128,962	2,809,000	1,319,962
Government Services	271,359,933	295,679,743	(24,319,810)
Northern Affairs	113,292,523	86,575,634	26,716,889
Revenue	194,523,637	197,869,618	(3,345,981)
Treasury, Economics and Intergovernmental Affairs	1,652,558,689	1,551,509,548	101,049,141
Justice Policy	428,698	367,904	60,794
Attorney General	129,737,344	116,401,658	13,335,686
Consumer and Commercial Relations	63,381,348	60,488,416	2,892,932
Correctional Services	125,764,464	107,033,835	18,730,629
Solicitor General	152,878,009	143,723,061	9,154,948
Resources Development Policy	3,199,075	3,045,549	153,526
Agriculture and Food	169,807,375	164,727,217	5,080,158
Energy	7,350,459	3,679,707	3,670,752
Environment	113,478,961	98,808,847	14,670,114
Housing	171,788,921	157,195,188	14,593,733
Industry and Tourism	53,413,037	56,247,463	(2,834,426)
Labour	29,348,017	23,472,189	5,875,828
Natural Resources	242,207,223	230,772,347	11,434,876
Transportation and Communications ..	1,034,936,086	917,191,877	117,744,209
Social Development Policy	2,113,854	2,001,461	112,393
Colleges and Universities	1,257,860,696	1,157,565,831	100,294,865
Community and Social Services	1,115,958,446	1,036,271,348	79,687,098
Culture and Recreation	191,471,166	144,020,494	47,450,672
Education	2,342,378,295	1,985,850,005	356,528,290
Health	3,644,107,878	3,348,793,136	295,314,742
	<u>13,129,483,713</u>	<u>11,921,237,211</u>	<u>1,208,246,502</u>

27. Additional Comments Re Budgetary Expenditure. The following comments are presented for informative purposes:

OFFICE OF THE ASSEMBLY. Increased expenditure under The Election Act of \$8.7 million and Services of \$2.4 million accounted for most of the increase in expenditure of \$13 million over that of the previous year.

OFFICE OF THE OMBUDSMAN. Salaries and Wages and Services represented 83.9 per cent of the expenditure for the year and accounted for a major portion of the increase in expenditure over that of the prior year.

GOVERNMENT SERVICES. The Provision of Accommodation Program was the major expenditure of the Ministry. This program provided accommodation for ministries and agencies of the Ontario Government. Expenditure on the program totalled \$133.6 million for 1977-78.

NORTHERN AFFAIRS. The Regional Priorities and Development Program which provided for the establishment and implementation of regional priorities for the improvement of transportation and other services in Northern Ontario expended a total of \$84.6 million during 1977-78. This was 74.7 per cent of the Ministry's expenditure for the year.

TREASURY, ECONOMICS AND INTERGOVERNMENTAL AFFAIRS. Public Debt interest payments on securities issued and other borrowings totalled \$1.242 billion and represented 75.2 per cent of the Ministry's expenditure. The comparable amount for the preceding year was \$1.068 billion, representing 68.9 per cent of the Ministry's expenditure.

ENERGY. Payments for Services, mainly related to energy conservation projects, represented 66.5 per cent of the expenditure for the year and accounted for \$3.2 million of the increase in expenditure over that of the previous year.

LABOUR. The Occupational Health and Safety Program with expenditure of \$13.9 million was the major expenditure of the Ministry. The function of this program was to promote and ensure the existence and maintenance of a healthy and safe occupational environment.

NATURAL RESOURCES. Expenditure on the Land Management Program, which included provision for the administration and protection of Crown lands and waters, totalled \$102.1 million and accounted for 42.2 per cent of the Ministry's expenditure for the year.

TRANSPORTATION AND COMMUNICATIONS. The major areas of expenditure in 1977-78 were the Provincial Roads Program, \$383.3 million, the Municipal Roads Program, \$344.6 million and the Municipal Transit Program \$153.5 million. These programs included construction and maintenance of the Provincial road network and assistance to municipalities for municipal roads and urban transit systems.

COLLEGES AND UNIVERSITIES. Transfer payments amounted to \$1.241 billion and represented 98.6 per cent of the Ministry's expenditure. Grants to Universities and related organizations amounted to \$791.6 million, while grants to Colleges of Applied Art and Technology and other organizations amounted to \$376.1 million.

COMMUNITY AND SOCIAL SERVICES. Transfer payments totalled \$900.8 million and represented 80.7 per cent of the Ministry's expenditure. These payments were concentrated mainly in the Social Resources and Children's Services Programs. These programs provided financial assistance and social services to persons in need and care for children in need respectively.

CULTURE AND RECREATION. Transfer payments amounted to \$163.8 million and represented 85.6 per cent of the Ministry's expenditure. Grants for projects, facilities and events under the Wintario Program totalled \$62.3 million, an increase of \$29 million over the preceding year.

EDUCATION. Transfer payments aggregated \$2.265 billion and represented 6.7 per cent of the Ministry's expenditure in 1977-78. The General Legislative Grants transfer payment under the School Business and Finance activity of the Education Program amounted to \$1.870 billion, an increase of \$177.7 million over the prior year.

The Ministry's expenditure of \$2.342 billion was 17.8 per cent of the total expenditure of the Province for the year.

Expenditure on education by both the Ministry of Education and the Ministry of Colleges and Universities amounted to \$3.600 billion, or 27.4 per cent of the total expenditure of the Province for the year. The comparable figures for the preceding year, as restated, were \$3.143 billion and 26.4 per cent.

HEALTH. Transfer payments amounted to \$3.378 billion and represented 92.7 per cent of the Ministry's expenditure in 1977-78. Payments made for the operation of hospitals and related facilities, \$1.989 billion, and for care provided by physicians and practitioners under the Ontario Health Insurance Plan, \$0.9 billion, accounted for 85.5 per cent of the total transfer payments. The specified payments increased by \$108.1 million and \$97.9 million, respectively in 1977-78, accounting for 69.8 per cent of the increase in the Ministry's expenditure for the year.

The Ministry's expenditure of \$3.644 billion was 27.8 per cent of the total expenditure of the Province for the year. Comparable figures for the preceding year, as restated, were \$3.349 billion and 28.1 per cent.

28. Non-Budgetary Transactions, Disbursements and Charges. Disbursements may be summarized as follows:

<i>Disbursements re</i>	<i>1977-78</i> \$	<i>1976-77</i> \$
Voted Appropriations		
Per Legislative Assembly	307,144,430	425,844,291
Per Management Board Orders	—	26,755
	<u>307,144,430</u>	<u>425,871,046</u>
Statutory Appropriations	641,793,730	475,170,167
Special Warrants	—	6,250,000
	<u>948,938,160</u>	<u>907,291,213</u>

As is evident from the foregoing summary, Disbursements made out of Statutory Appropriations increased by approximately \$167,000,000 in 1977-78. Significant in this regard was an increase in advances made to Ontario Hydro from \$300,000,000 in 1976-77 to \$450,000,000 in 1977-78.

Details of Disbursements are shown on page 36 of Volume 1 of the 1977-78 Public Accounts. Comments with respect to certain disbursement items are contained in the Comments on Assets and Liabilities sections 32-33 of this Report.

Charges for 1977-78 totalled \$124,983,475, all of which were paid out of Statutory Appropriations.

Details of Charges are shown on pages 40-42 of Volume 1 of the 1977-78 Public Accounts. Comments with respect to a number of charge items are included in the Comments on Assets and Liabilities sections 36-37 of this Report.

29. Debt Transactions, Retirements of Loans. Details of Retirements of Loans totalling \$137,920,247 for the 1977-78 fiscal year are shown on pages 45-46 of Volume 1 of the Public Accounts. These payments relate to the redemption of Ontario debentures.

COMMENTS ON ASSETS AND LIABILITIES

30. Introductory Comments. As explained in the "Summary of Significant Accounting Policies" outlined in Exhibit 1 of this Report, the financial statements of the Province reflect a modified cash basis of accounting. In addition, Provincial expenditure on fixed assets is treated as non-recoverable expenditure of each fiscal year. As a result, the Statement of Assets and Liabilities does not include assets such as buildings, land or accounts receivable nor liabilities such as accounts payable. However, memorandum records of certain of these assets and liabilities are maintained for internal control purposes. The memorandum accounts for Accounts Receivable and Accounts Payable at March 31, 1978 are shown in Volume 1 of the 1977-78 Public Accounts, pages 78-81.

31. Statement of Assets and Liabilities. The Statement of Assets and Liabilities as at March 31, 1978, as shown in Volume 1 of the 1977-78 Public Accounts, is included in Exhibit 1 of this Report. The body of the Statement, to the nearest million dollars, is reproduced here for reference purposes.

<i>Assets</i>	<i>1978</i> <i>(\$ millions)</i>	<i>1977</i> <i>(\$ millions)</i>
Cash, temporary investments and marketable securities (Note 1)	548	804
Advances to Ontario Hydro (Note 2)	2,926	2,557
Advances and investments — other corporations, boards and commissions (Note 3)	4,455	4,333
Investments in water treatment and waste control facilities (at cost less recoveries) (Note 4)	880	780
Loans to municipalities	325	299
Other loans and investments (Note 5)	269	257
Total recorded assets	9,403	9,030
Net debt	7,978	6,157
	<u>17,381</u>	<u>15,187</u>
<i>Liabilities</i>		
Deposits with The Province of Ontario Savings Office	345	339
Pension funds (Note 6)	1,336	1,140
Deposit, trust and reserve accounts	322	229
Advances payable	112	75
Treasury bills	130	130
Debentures and notes (Note 7)	15,136	13,274
	<u>17,381</u>	<u>15,187</u>
Contingent liabilities (Note 8)	6,152	5,735

Comments on certain assets and liabilities, supplementary in nature to information obtained in the notes to the financial statements and schedules appearing in the Public Accounts, are made in succeeding sections of this Chapter. Amounts referred to in these comments have been rounded to the nearest dollar, since many of these amounts are less than \$1 million in magnitude.

2. Advances and Investments — Other Corporations, Boards and Commissions. The balances included under this heading, with comparable balances for the preceding year, and the financial activity during the 1977-78 fiscal year were as follows:

	March 31, 1977	Advances/ Investments Made	Repayments Received	March 31, 1978
	\$	\$	\$	\$
The Ontario Education Capital Aid Corporation	1,254,222,550	80,992,000	61,512,736	1,273,701,814
The Ontario Universities Capital Aid Corporation	1,224,627,314	33,942,433	26,275,008	1,232,294,739
Ontario Mortgage Corporation	694,039,300	85,502,000	21,378,900	758,162,400
Ontario Housing Corporation	330,658,335	30,381,180	12,373,502	348,666,013
Ontario Student Housing Corporation	8,547,327		72,013	8,475,314
Ontario Land Corporation	337,750,000	4,100,000	9,600,000	332,250,000
Ontario Energy Corporation	100,000,000	146,079		100,146,079
Ontario Development Corporation	88,535,978	17,223,083	15,200,382	90,558,679
Northern Ontario Development Corporation	41,359,374	9,317,263	3,588,618	47,088,019
Eastern Ontario Development Corporation	27,658,390	15,355,831	2,274,766	40,739,455
Ontario Northland Transportation Commission	72,707,935			72,707,935
The Ontario Junior Farmer Establishment Loan Corporation	67,994,474		4,087,914	63,906,560
The Ontario Municipal Improve- ment Corporation	44,961,987	2,952,000	5,297,979	42,616,008
Liquor Control Board of Ontario	25,074,515			25,074,515
Urban Transportation Develop- ment Corporation Ltd.	6,000,000			6,000,000
The Ontario Transportation Development Corporation	6,250,000		6,250,000	
The Crop Insurance Commission of Ontario	1,800,000	8,400,000		10,200,000
North Pickering Development Corporation	935,402	830,496		1,765,898
Algonquin Forestry Authority	100,000	250,000		350,000
	<u>4,333,222,881</u>	<u>289,392,365</u>	<u>167,911,818</u>	<u>4,454,703,428</u>

Financial statements of these Crown Corporations, Boards and Commissions are shown in Volume 2 of the 1977-78 Public Accounts.

Explanatory comment relative to the nature of these Corporations, Board and Commissions, and to the terms of the relative advances and investments made by the Province, is contained on pages 48-49 of Volume 1 of the 1977-78 Public Accounts.

33. Loans to Municipalities. The balances included under this heading, with comparable balances for the preceding year, and the financial activity during the 1977-78 fiscal year were as follows:

	March 31, 1977	Loans Made	Repayments Received	March 31, 1978
	\$	\$	\$	\$
Ontario Housing Action Program	59,853,412	24,366,237	206,852	84,012,797
Municipalities re tile drainage	58,556,860	18,772,400	7,547,259	69,782,001
Municipalities re municipal works assistance	61,151,712		4,580,780	56,570,932
Federal-Provincial Winter Capital Projects Fund	49,339,499		2,554,009	46,785,490
Federal-Provincial employment loans	15,195,100		641,500	14,553,600
Federal-Provincial special development loans	3,836,200		309,600	3,526,600
The Municipality of Metropolitan Toronto	45,830,000		1,610,000	44,220,000
The Shoreline Property Assistance Act, 1973	1,957,719	488,720	72,035	2,374,404
Township of Elliot Lake	1,987,300		172,400	1,814,900
Town of Kapuskasing	1,254,316		57,789	1,196,527
Township of Collingwood	116,826			116,826
Township of Amabel	109,399			109,399
The Moosonee Development Area Board	111,000		5,000	106,000
City of Windsor	100,000		50,000	50,000
Improvement District of Manitouwadge	80,000		39,000	41,000
	<u>299,479,343</u>	<u>43,627,357</u>	<u>17,846,224</u>	<u>325,260,476</u>

Explanatory comment with regard to these loans is contained on page 50 of Volume 1 of the 1977-78 Public Accounts. Additional comment with regard to two of these loans follows:

Special assistance was provided in 1974-75 to the Townships of Collingwood and Amabel in the amounts of \$116,826 and \$110,000 respectively.

In the case of the Township of Collingwood the assistance was to prevent a substantially increased and inequitable tax burden on local taxpayers. The loan will evidently not be called until all the financial implications are known. A decision will then be made as to whether or not it will be repaid or forgiven. At March 31, 1978 the loan amount remained unchanged.

The assistance to the Township of Amabel was made to allay immediate financial difficulties being experienced as a result of its inability to collect tax arrears in respect of tenant occupied property on Indian Reserves. The agreement between the Province and the Township required that the Township make every reasonable effort to effect the collection of the tax arrears. All collections of such tax arrears are to be repaid to the Province. The rights and allegations of both parties under the agreement terminate on December 31, 1979. After a repayment of \$601 in 1976-77 the outstanding balance was \$109,399 at March 31, 1977 and March 31, 1978.

34. Fixed Assets. As explained in the "Summary of Significant Accounting Policies" contained in Exhibit 1 of this Report, the costs of fixed assets are treated as expenditure in each fiscal year. These assets are carried in the accounting records of the Province at a nominal value of one dollar. Prior to 1974-75 the nominal value of the fixed assets was shown separately in the Statement of Assets and Liabilities. For more concise statement presentation, this practice was discontinued.

35. Net Debt. The Net Debt of the Province is the difference between assets and liabilities as recorded in accordance with the "Summary of Significant Accounting Policies" described in Exhibit 1. Year-to-year changes in Net Debt are related directly to the amount by which budgetary revenue exceeds, or is less than, budgetary expenditure. Revenue was less than expenditure on budgetary transactions by \$1,821,213,197 for the 1977-78 fiscal year, with the result that Net Debt increased by that amount to \$7,977,975,167 at March 31, 1978.

36. Deposits with The Province of Ontario Savings Office. These deposits are carried in twenty-one branches of the Savings Office throughout the Province. The liability of the Savings Office to depositors, with comparative balances for the preceding year, consisted of:

	March 31, 1978	March 31, 1977
	\$	\$
Current Balances	345,221,366	339,030,531
Unclaimed Balances	196,202	188,134
	<u>345,417,568</u>	<u>339,218,665</u>

It is current practice of the Savings Office to transfer a deposit balance from a current classification to an unclaimed classification when no communication has been received from the depositor, and no activity has taken place in the account for a five year period.

The financial statements of The Province of Ontario Savings Office are shown on pages 74-75 of Volume 1 of the 1977-78 Public Accounts.

37. Deposit, Trust and Reserve Accounts. During the 1977-78 fiscal year \$161,106,447 was paid into these accounts while \$67,191,125 was paid out. A balance of \$322,240,812 was outstanding at March 31, 1978.

Deposit, Trust and Reserve Accounts are itemized in Volume 1 of the 1977-78 Public Accounts on pages 52-53. Comment with respect to several of the larger accounts is also contained in the Public Accounts. Numerous other accounts, however, are included in the Deposit and Trust Accounts category. Background on the following accounts is presented for informative purposes.

PROVINCIAL LOTTERY TRUST FUND—\$29,292,444

This Fund was established by Order in Council dated October 27, 1976 for the purpose of receiving the net proceeds accruing to Ontario in respect of "The Provincial" lottery.

Pursuant to section 7(b) of The Ontario Lottery Corporation Act, 1974, the

Corporation was authorized by the Lieutenant Governor in Council to enter into agreements with other provinces regarding an interprovincial lottery scheme provided that the net proceeds accruing to Ontario under such lottery shall be paid into the Consolidated Revenue Fund to be held in trust by the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs pursuant to subsection 1 of section 16 of The Financial Administration Act, for such purposes as the Lieutenant Governor in Council may direct. The Provincial lottery is a joint undertaking by Ontario together with the majority of the other provinces, acting through the Interprovincial Lottery Corporation, a company incorporated under the Canada Business Corporations Act, the shares of which are held by Her Majesty the Queen in right of the respective provinces.

The Ontario Lottery Corporation is the Regional Marketing Organization for "The Provincial" in Ontario. As such, the Corporation purchases tickets for "The Provincial" from the Interprovincial Lottery Corporation and, subject to the cost of sales, the Province is entitled to the profits from the sale of tickets within Ontario. The cost of tickets purchased from the Interprovincial Lottery Corporation is inclusive of the costs of printing, other central administrative costs, and the proportional share of prizes represented by the number of tickets purchased.

Payments out of the Fund are to be made for such purposes as the Lieutenant Governor in Council may, from time to time, direct. An Order in Council dated October 27, 1976 approved an initial dedication of Fund moneys in the amount of \$25,000,000 for the support of health research and health related environmental projects. A subsequent Order in Council dated February 9, 1977 authorized allocation of the \$25,000,000 as follows:

- (a) \$15,000,000 for health research, to be paid out to such recipients as the Minister of Health may, from time to time, direct;
- (b) \$5,000,000 for occupational health and safety, to be paid out to such recipients as the Minister of Labour may, from time to time, direct; and
- (c) \$5,000,000 for health related environmental projects, to be paid out to such recipients as the Minister of the Environment may, from time to time, direct.

The Order in Council further authorized that, until the entire \$25,000,000 has in fact been deposited in the Trust, the above noted amounts shall be paid from the moneys, from time to time available in the Trust, by the respective Ministers employing the following ratios,

Minister of Health	60%
Minister of Labour	20%
Minister of the Environment	20%

with the stipulation that individual projects be reviewed by Management Board of Cabinet and Cabinet in accordance with normal practices.

During 1977-78 amounts totalling \$29,000,000 were deposited into the Fund. Payments out of the Fund amounted to \$7,707,556 and were made by the following Ministries:

Health	\$6,000,000 (1976-77 \$2,000,000)
Labour	999,116
Environment	708,440

The balance in the Fund at March 31, 1978, after taking into account the balance of \$8,000,000 at March 31, 1977, was \$29,292,444.

THE PITS AND QUARRIES CONTROL ACT, 1971—\$4,840,286

The Pits and Quarries Control Act, 1971 requires operators of pits and quarries to maintain security deposits with the Treasurer of Ontario for rehabilitation purposes. Should the rehabilitation program of a pit or quarry not be carried out in accordance with specified requirements, the Minister of Natural Resources may direct that the security deposit be forfeited.

The regulations under the Act stipulate the method of calculating security deposits and provide that they be deposited annually in a deposit account held by the Treasurer of Ontario bearing simple interest at the rate of 6 per cent per annum.

During the year ended March 31, 1978 security deposits were received in the amount of \$1,139,733 and \$223,850 was paid out.

QUEEN ELIZABETH II ONTARIO SCHOLARSHIP FUND—\$524,615

This Fund was established by Order in Council effective July 1, 1959 to mark the visit to the Province of Ontario of Her Majesty Queen Elizabeth II in 1959. A special warrant was issued in the amount of \$500,000 and this sum was placed in the Fund. The purpose of the Fund is "to encourage those phases of education which from time to time are important and should be emphasized in the light of Ontario's needs as they change and develop".

The Fund is administered by a Board of Trustees and interest is credited semi-annually on the principal sum. The interest rate payable is calculated using the weighted average Province of Ontario Savings Office interest rate. In the payment of scholarships and the administrative expenses of the Fund, the Board of Trustees has been given the power to encroach, at its discretion, upon the principal sum of \$500,000. To date, however, no encroachment has taken place.

As at March 31, 1978 the Fund had been in operation for over eighteen years, during which time payments out of the Fund had aggregated in excess of \$450,000. For the 1977-78 fiscal year, payments amounted to \$29,898, representing scholarships totalling \$27,200 and administrative expenses in the amount of \$2,698.

TIMBER LICENCEE'S FUNDS HELD IN TRUST—\$391,256

On page 31 of last year's Report comment was made in regard to the above account. For ease of reference, most of this comment has been repeated, along with additional information to support its current status.

In order to protect Crown charges in excess of \$682,000 owing by a lumber company for stumpage fees, forest products in the form of logs and lumber were

seized by the Province. A chartered bank also made a claim against the forest products. The question of ownership was left to the courts to decide. With the approval of the chartered bank and the Ministry of the Attorney General, the seized products were sold in 1976, and the proceeds placed in a special interest bearing account designated as Timber Licencee's Funds Held in Trust. Additionally, in response to correspondence from the Minister of Natural Resources, some debtors paid to the Treasurer of Ontario amounts owing to the lumber company. At March 31, 1977 these payments amounted to \$4,288 out of a total of \$100,630 owing. The balance on deposit in the special interest bearing account at March 31, 1977 was \$391,256.

Our March 31, 1978 year-end examination of this account indicated that there were no transactions through this trust account during the year. Hence, the balance thereof remained at \$391,256 as at March 31, 1978.

We have been advised by the Ministry of Natural Resources that a court action dealing with the question of ownership and distribution of the sales proceeds is expected to proceed in the early fall of this year.

The Ministry additionally advised us that the chartered bank also sent a letter, similar to that of the Ministry, to the debtors of the lumber company. As a result, some payments were made to and deposited by the bank into trust accounts to await the outcome of the court action referred to in the preceding paragraph.

38. Debentures and Notes. During the 1977-78 fiscal year proceeds and repayments of debentures and notes totalled \$1,993,273,982 and \$132,030,582 respectively, leaving a balance of \$15,135,572,804 outstanding at March 31, 1978.

Details of debentures and notes outstanding are shown on pages 55-59 of Volume 1 of the 1977-78 Public Accounts. A summary by years of maturity and currency in which the debenture liability is repayable is included in Exhibit 1 (note 7 to the financial statements) of this Report.

COMMENTS ON REVENUE AND EXPENDITURE TRANSACTIONS

39. Introductory Comments. Most of the comments contained in this segment of the Report relate to Revenue and Expenditure transactions. Some however, are relevant to other types of payments into, and payments out of, the Consolidated Revenue Fund which are described in sections 17 and 22 Receipts and Credits, Disbursements and Charges, etc. The caption, "Comments on Revenue and Expenditure Transactions" has been selected for simplicity of reference. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 6. The audit of revenue and expenditure at the various Ministries and Institutions was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as were considered necessary in the circumstances.

40. Audit of Budgetary Revenue. Our audit activity is mainly devoted to the verification of revenue transactions and the review of related internal controls. Considerable stress is placed on determining whether there is full compliance with existing Statutes and Regulations, and on the review of procedures established within each Ministry for the verification and reconciliation of its revenue.

During the year we continued our emphasis on the major revenue-producing areas of the Government. Taxation revenue, for example, amounted to over \$6.6 billion or 58.6 per cent of the total revenue for the year. Accordingly, an audit team is located at the Ministry of Revenue to perform a continuous audit of taxation revenue. Similarly, our Office maintains a separate group of auditors whose function is the review of claims on the Government of Canada which arise from contributory or cost-sharing agreements and programs.

41. Audit of Budgetary Expenditure. The audit of budgetary expenditure was conducted under the following main classifications—Transfer Payments; Acquisition/Construction of Physical Assets; and Administrative Expenditure. Under these classifications the expenditure for the year, as shown on page 33 of Volume 1 of the 1977-78 Public Accounts, may be summarized as follows:

	\$	%
Transfer Payments	9,385,395,736	71.5
Acquisition/Construction of Physical Assets	352,189,144	2.7
Administrative Expenditure		
Salaries and Wages	1,294,098,586	9.8
Other Transactions		
—includes public debt expenditure		
(interest on debentures, etc.) of \$1,242,223,349	1,307,454,532	10.0
Services	453,753,264	3.4
Supplies and Equipment	248,740,212	1.9
Employee Benefits	192,067,988	1.5
Transportation and Communication	94,348,429	.7
	13,328,047,891	
Less: Recoveries from other Activities, Ministries, etc.	198,564,178	(1.5)
	13,129,483,713	100.0

Audits undertaken by the Provincial Auditor have historically been financial oriented, primarily concerned with accounting accuracy and compliance. Nevertheless, as the material contained in subsequent sections of this Report will indicate,

we have not restricted our activities to a financial audit. In this regard, it should be noted that in future years, pursuant to the provisions of The Audit Act, 1977, we will be required to report on any adverse observations relating to the economy and efficiency of expenditures, as well as on the procedures undertaken by Ministries to measure the effectiveness of their programs. For further detailed information on the new Audit Act, see section 4 of this Report.

42. Transfer Payments. Transfer payments represent expenditure made to individuals, organizations and other levels of government and for which the Ontario Government does not directly receive goods or services. Such expenditure is made in accordance with legislation or established Ministry rules.

Our audit of transfer payments has traditionally concerned itself with the authorization, calculation and payment procedures in the Ministries, and involves, in particular, an assessment of the applicable legal and administrative framework. The disposition of funds received in the form of transfer payments is made by the recipient individual, organization or other government body, and, for the most part, has not been subject to review by the Provincial Auditor. Here again, it should be noted that, commencing with the 1978-79 fiscal year, our responsibilities regarding the audit of transfer payments have been broadened as a result of the new Audit Act. This Act provides that the Auditor may perform inspection audits, and may obtain a full accounting from recipients of any grants from the Consolidated Revenue Fund or an agency of the Crown.

In addition to the foregoing, organizations and government bodies in receipt of transfer payments are usually subject to review by other auditors such as public accounting firms. Generally speaking, the paying Ministry, as a condition of payment, requires the recipient to periodically submit audited financial statements. In some cases, also, internal audit or similarly functioning groups within the Ministries may visit recipient organizations and government bodies for the purpose of reviewing their financial records.

In 1977-78 over \$6.8 billion, or more than 73 per cent of the total transfer payments, was expended by three Ministries. A summary of the payments by the three Ministries, including identification of major categories, is as follows:

<i>Ministry</i>	<i>Category</i>	<i>Amount</i> \$
Colleges and Universities	Grants for Universities and Related Organizations	791,570,018
	Grants for Colleges of Applied Arts and Technology, etc.	376,099,170
	Other transfer payments	73,031,339
		<u>1,240,700,527</u>
		1,870,439,058
Education	General Legislative Grants	379,900,632
	Payments to Teachers' Superannuation Commission	15,120,514
	Other transfer payments	<u>2,265,460,204</u>
Health	Operation of hospitals and related facilities	1,989,221,255
	Payments re physicians' and practitioners' services under OHIP	898,159,771
	Other transfer payments	490,994,872
		<u>3,378,375,898</u>
Total		<u>6,884,536,629</u>

43. Acquisition/Construction of Physical Assets. This classification includes all costs of acquisition and construction by contract of new and used buildings and engineering structures. Also included in this category is the cost of acquisition of land. Our audit of acquisition/construction of physical assets includes the examination of relevant contract records, procedures for awarding contracts and purchasing procedures. Asset records of projects, both under construction and completed, are also examined.

As previously indicated in section 12, the acquisition/construction of physical assets account does not include the cost of work performed by the Province's own labour force which contributes to new capital formation such as new buildings, engineering structures, etc., nor does it include the cost of materials and services provided by the Province for use by contractors on new capital formation projects. These expenditures, which totalled in excess of \$70 million for the year ended March 31, 1978, were charged to the administrative expenditure category and were included in the appropriate accounts classification—salaries and wages, services, etc.

44. Administrative Expenditure. As indicated in the foregoing summary, administrative expenditure is identified by sub-categories, the content of which is largely self-explanatory. However, a more detailed description of the type of expenditure included in each sub-category is contained on pages 8-9 of Volume 1 of the 1977-78 Public Accounts. Our audit of administrative expenditure includes an evaluation of the internal control over expenditure processing and a review of inventory controls and purchasing procedures.

45. Recoveries from Other Activities, Ministries, etc. These recoveries relate mainly to costs incurred on behalf of other Ministries by certain Ministries as, for example, by the Ministry of Government Services with respect to the provision of printing and stationery services. The incurring Ministry subsequently effects recovery by transferring the costs involved to the benefiting Ministry. For Public Accounts presentation purposes, these recoveries are generally not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

46. Audit Memoranda. Memoranda on the various audits and examinations performed during the year were submitted to the Deputy Minister of each Ministry concerned. Observations and comments were made on matters noted during the conduct of the audits. Included in the memoranda were recommendations and suggestions for improvement in internal controls and general efficiency of the accounting process. The Deputy Ministers were asked to review the memoranda and to forward their comments on our findings and recommendations. This procedure provides each Ministry with an opportunity to question the position taken by this Office or to initiate immediate corrective action.

Matters which were raised in memoranda covering these audits, and which, in our considered opinion, should be brought to the attention of the Legislative Assembly, are included in subsequent sections of this Report. Not all of the subsequent content is of a critical nature; certain comments are for informative

purposes only. For the most part the caption of the section will indicate whether the content is of a critical or informative nature.

Pertinent replies received from the Ministries to the time of completion of this Report have been included without further comment by this Office, but will be reviewed during subsequent audits of the respective Ministries.

47. Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Annual Reports. It is our practice to follow up on suggested corrective action and recommendations at the time of our next audit of the applicable revenue or expenditure area. The status of suggested corrective action and recommendations contained in our 1976-77 Report is indicated in Exhibit 8 to this Report. Exhibit 8 also provides an update on the status of corrective action and recommendations considered unresolved per Exhibit 11 in our 1976-77 Report.

48. Additional Monitoring of Research Costs Recommended, Ministry of Agriculture and Food. During the 1976-77 fiscal year payments authorized by the Agricultural Research Institute of Ontario to the University of Guelph totalled \$10,551,533 for research and \$2,452,779 for extension, special services and education. These expenditures were made under the terms of an agreement dated June 14, 1968 and amended on February 16, 1972 between the Minister of Agriculture and Food and the University of Guelph.

The Institute is mainly concerned with selecting and recommending areas of research and reviewing research programs which are underway. In this connection the members of the Institute held six meetings during the 1976-77 fiscal year. The Director of Research is required to supervise every program of research for which funds have been recommended by the Institute. It is understood that the Director of Research, who is also the Executive Director of the Education, Research and Special Services Division of the Ministry, spends the majority of his time on Ministry matters as opposed to Institute matters. The remainder of the staff is primarily involved in the recording and verifying of accounting data. In view of this it is not clear if sufficient attention is being given to the input and evaluation of the research programs. The agreement with the University of Guelph permits examination by Ministry auditors of the University's records of transactions pursuant to the agreement. At the time of our review it was understood that no audit of these records had been performed by the Audit Services Branch and we recommended that this be done.

More than one Ministry is supplying funds for various research projects at the University of Guelph. In one case examined, both the Ministry of Health and the Ministry of Agriculture and Food were supplying funds for the same project. It was noted that on the application to the Ministry of Health no mention was made that Agriculture and Food funds were also being used for this project. Although the sources of other funds were specifically asked for on the application form. We recommended that these matters be reviewed.

The Deputy Minister subsequently advised that:

"Since July, 1976 the Director of Research has had added responsibilities of a general Ministry nature. However, the Institute holds six meetings a year and spends more time on specific reviews of individual

programs. We feel, therefore, that adequate attention is being given to the evaluation of these programs. I have asked our Audit Services Branch to perform audits of the University contract in future.

"It is not unusual for several organizations or individuals to sponsor a particular research program. However, the University was in error in not advising the Ministry of Health of the input from this Ministry and is developing a system to ensure we are advised of other sponsors of projects for which we provide funds. We are satisfied, however, that there was no duplication of payment for specific goods or services, and the Ministry of Health's interest was different than ours."

49. Observations Re Ontario Student Assistance Program, Ministry of Colleges and Universities. Total expenditure under this program was approximately \$55 million during the 1976-77 fiscal year, and \$66 million during the 1977-78 fiscal year. These amounts represent only the assistance provided to students by the Province in the form of grants, and does not include assistance provided by the Federal Government in the form of loans.

The purpose of this program is to maintain equality of educational opportunity, and the amount of assistance is based on an assessment of each student's needs. During the fiscal years 1976-77 and 1977-78, the maximum assistance provided to most students consisted of \$1,000 under the Canada Student Loan Plan, although \$1,800 is permissible, and \$3,200 under the Ontario Student Assistance Plan. The first \$1,000 of assistance is a federal loan and the balance of assistance is a provincial grant up to \$3,200 for an academic year of two semesters totalling up to 32 weeks. Where the academic year is of a longer duration the federal loan and the provincial grant may reach a maximum of \$1,800 and \$4,800 respectively.

The report of the Verification Section of the Student Awards Branch for the year ended March 31, 1977 indicated that approximately 71,000 students received grants out of a total of over 110,000 applications submitted. Approximately 50 per cent of cases reviewed by the Verification Section were classified as "unsatisfactory". The unsatisfactory cases included those recommended for reassessment downward as a result of excess loans and grants to students totalling over \$1,000,000. Although the number of cases reviewed by the Verification Section was well in excess of the minimum specified by the Canada Student Loans Plan Administrative Criteria for 1976-77, the incidence of unsatisfactory cases indicate to us the need for an expanded volume of checking.

The Canada Student Loans Plan Administrative Criteria 1976-77 stated that the verification of parental or spousal incomes should include the working copy of income tax forms. It was noted that the Verification Section did not always request this documentation if in their opinion the income reported appeared reasonable. This procedure was contrary to the Administrative Criteria.

The Canada Student Loans Plan Administrative Criteria 1977-78 stated that the verification procedures on an application should include a review of a certified copy

of income tax forms from the Department of National Revenue (Canada) or a working copy of income tax forms. However, the 1977-78 Student Assistance application form did not provide a space for the spouse or parent to give permission to the Ministry to obtain relevant income information from the Department of National Revenue (Canada).

On June 5, 1978 the Deputy Minister replied as follows:

"a. Verification of Student Assistance

I agree with your recommendation that an expanded verification process would result in additional funds being recovered. However, this would not be in direct proportion to our current recoveries, due to the fact that third party and internal referrals give a much higher chance of possibility of error than does the random sample. Also, to accomplish this task, additional staff would be required—a scarce commodity in the present climate.

I should add that we are entering into an agreement with Revenue Canada in relation to a procedure which would permit us to increase the scope of verification with the current staff.

Starting in 1978-79, a tax waiver is to be completed by the student, parent/spouse as applicable, when an application for assistance is filed. The Ministry will prepare a computer tape containing relevant data (e.g., name, Social Insurance Number, income, tax paid, etc.) and forward same, along with signed tax waivers to Revenue Canada. They will compare this information with that of the official income tax returns and produce variance listings on tax payable and income earned. Errors in the reporting of income account for more than 70% of all errors found.

"b. Income Tax Documentation

Your comment refers to cases where there is documentation on file to indicate that the parents or applicant are receiving social assistance benefits. It has been our practice not to ask for the working copies of income tax forms in such cases. Experience has shown that such individuals have little or no income and often do not file an income tax return. Therefore, it is felt the time of the Section could be better spent, thus maximizing the productivity of our scarce resources.

As the Verification Section is verifying well in excess of the required five percent, I feel the 1976-77 Administrative Criteria of the Canada Student Loans Program were more than met.

"c. 1977-78 CSL Program

The criterion, that verification procedures on applications should include a review of a certified copy of income tax forms from Revenue Canada or a working copy of income tax forms, was a 'last minute' addition by the Federal Government after Ontario's

1977-78 brochures, applications, etc., had been printed. While this Ministry agreed to the criterion, it was pointed out that it would not be implemented in 1977-78 because of the time factor. The Federal Government accepted our position provided it was included in 1978-79, which has been done. Moreover, four other provinces were unable to implement the criterion.

As I mentioned earlier, the income tax waiver system being developed in conjunction with Revenue Canada, and with the knowledge of Guaranteed Loans Administration, will negate this request in 1978-79."

50. Improved Controls over Transfer Payments Recommended, Ministry of Community and Social Services. The major elements of control which we believe should be exercised in the making of transfer payments are described as follows:

1. Detailed budgets should be established for each recipient wherever possible.
2. Accurate and complete records and files for expenditures should be maintained for each program by the branches administering the programs.
3. Branch expenditure records should be reconciled monthly with the Ministry Vendor by Act Report.
4. Agreements with transfer payment recipients, where appropriate, should be maintained currently and compliance thereto monitored.
5. Reconciliations or audited financial statements, where appropriate, should be obtained annually from transfer payment recipients and compared to detail of approved budgets and payments made.
6. Surpluses or deficits should be established from the procedures carried out in 5. and recoveries or adjustments made to agree with actual expenditures within budget amounts.

Of the forty operating expenditure programs examined during the course of our audit, the following table lists those where the foregoing controls had not been fully met:

Program	Control Number					
	1	2	3	4	5	6
Demonstration Projects	x			x	x	x
Child Abuse		x	x			
Municipal Welfare Assistance		x	x			
Municipal Welfare—Administration Costs			x			
Municipal Welfare—Work Activity			x			
Child Welfare Municipal Grants		x	x			
Homemakers and Nurses Services		x	x		x	
Credit Counselling			x		x	
Family Service Agencies		x	x			
Youth Employment—Handicapped		x	x			
Day Nurseries			x		x	
Children's Mental Health Centres		x	x		x	
Elderly Persons Centres					x	
Senior Citizens Volunteer Program		x	x			
Cost of Providing Assessment		x	x			
Family Crisis Intervention	x	x			x	
Schedule 2 Facilities					x	x
Homes for Retarded Persons	x	x	x		x	x
Support Services		x	x		x	x
Protective Services		x	x	x		x
Developmental Training Services					x	
Lifeskills	x	x			x	x
Training Allowances and Expenses		x	x			
Payment and Purchase Arrangements for Disabled Persons	x	x	x	x	x	x
Residential Programs, Workshops and Work Activity Projects					x	
Half Way Houses—Rehabilitation Charitable Institutions					x	x
Transportation for the Handicapped			x			

In addition to the foregoing, we noted that organizations providing community and social services can be receiving funds from various branches of the Ministry with respect to different programs. In this situation there is a possibility of overlapping or duplicate funding unless a good system of centralized control is utilized. Such a duplication was noted with respect to the funding of a blind/deaf program operated by a facility under The Developmental Services Act, 1974. The cost of operating the program during the fiscal year 1977-78 was funded by the Mental Retardation Residential and Consulting Services Branch. In addition, payments totalling \$73,856 were made during the year to the same facility for the same program by the Mental Retardation Community Resources Branch. Action has been instituted by the Ministry to recover this amount.

We recommended that consideration be given to implementing a centralized recording system in which details of all current programs would be registered, and to which all new programs would be checked for possible duplication before being approved and registered. We further recommended that consideration be given to extending this system to other Ministries.

The preceding comments were included in a memorandum dated September

29, 1978, the date of this Report. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

51. Non-compliance with Relevant Legislation, Ministry of Consumer and Commercial Relations.

Lotteries Branch

Sixty bingo licences issued during the period from January 1, 1977 to June 30, 1977 respecting 505 events were examined in detail during the course of an audit of the Ministry. This examination revealed that 56 licences failed to meet one or both of the criteria set out in parts (a) and (b) of Order in Council 416/77, as amended, which state that:

“(a) The amount expended, exclusive of prizes awarded, in the conduct and management of any lottery scheme, other than a bingo lottery where the prize structure does not exceed seven hundred and fifty dollars, shall not exceed 15 per cent of the gross receipts derived therefrom;”

and

“(b) No less than 20 per cent of the gross receipts of any lottery scheme shall be used for charitable or religious purposes.”

We suggested that the Lotteries Branch develop procedures to ensure compliance with requirements of this Order in Council.

In order to safeguard the interest of the public and the organization and to assure the awarding of all prizes, the Branch requires a financial guarantee in the form of an irrevocable bank letter of credit from each licensee covering the total value of the prize structure to be awarded. The expiry date of this guarantee must be no earlier than 30 days following completion of the lottery. We noted, during a test of lottery files, that these requirements were not always met.

Insurance Division

Section 346 of The Insurance Act provides for the licensing of a person as a special insurance broker on payment of the required fee; it further requires an applicant for such a licence to file a written application under oath and, before receiving a licence, to deliver to the Superintendent security of not less than \$5,000 that the licensee will faithfully comply with the Act. A test review of special insurance broker licences revealed eight instances where licences had been issued to persons who did not comply with any of these requirements. The names of the persons or companies concerned were drawn to the attention of Ministry officials for further review and remedial action.

No response was received from the Ministry relating to our comments on the “Insurance Division”. In connection with our comments on the “Lotteries Branch”, the Ministry replied as follows on July 27, 1978:

“The Lotteries Branch is currently reviewing the statistics found in bingo lottery report forms submitted to this office to determine the elements that may be causing the groups to exceed the maximum figures set out in the legislation. If it is found that certain situations beyond the

control of the licencees are causing this less than desirable effect, it may be necessary to amend the present legislation.

"An irrevocable commercial letter of credit is at present only required where the total prize structure exceeds \$10,000.

"We are at present considering the idea of revising the upper limits to include all those lottery schemes with a prize structure of over \$5,000."

52. Deficiencies Noted Re Boiler Inspections, Ministry of Consumer and Commercial Relations. Section 22 of The Boilers and Pressure Vessels Act states that:

"Subject to subsection 2 of section 28, the owner of every boiler or pressure vessel in operation or use shall have it inspected at least once in every twelve months, or at such periodic intervals as are prescribed in the regulations, by an inspector or, on the instructions of the chief inspector, by a person having a subsisting certificate of competency."

A computer prepared printout was available within the Ministry which listed the inspections that were 30 days overdue from the due date of the last required cyclical inspection as well as the latest date that the pressure vessel had been inspected. As at February 28, 1978 this printout listed 2,994 inspections that were overdue.

A test review of this printout was made in conjunction with an examination of the related records which revealed that in several instances a pressure vessel had not been inspected for several years and that in some cases as many as 7 annual inspections were outstanding for a pressure vessel rather than the one overdue inspection indicated by the printout. A projection of the results of this test review applied to the total overdue inspections shown on the printout would indicate that in excess of 6,000 inspections were not performed within the time period prescribed by the legislation.

We suggested that the inspection procedures of the Branch should be reviewed with respect to the legislation currently in effect and to the possible loss of revenue resulting from the non-performance of required inspections.

On July 27, 1978 the Deputy Minister advised as follows:

"The backlog of in-service inspections is the direct result of increasing workload compounded by decreasing staff complement. The Branch is considering several alternatives which will lead to remedial action."

53. Payments to Municipalities for Conveyance of Prisoners Questioned, Ministry of Correctional Services. Commencing in 1975, the Ministry has been subsidizing municipalities for the additional cost of conveying prisoners between correctional institutions and the courts, due to the consolidation of services at Detention Centres or Provincial Jails. The payments have been based on \$1.50 for each additional mile claimed by the municipality.

The following payments were made to municipalities during the audit period:

Year ended March 31, 1977	\$199,312
Year ended March 31, 1978	208,918

Municipalities are responsible, under The Municipal Act, section 348, for conveying prisoners between correctional institutions and the courts. We therefore questioned why the Ministry was subsidizing municipalities for this type of expenditure.

The foregoing comments were included in our memorandum of September 21, 1978 to the Ministry. As at the date of this Report, September 29, 1978, the Ministry had not had sufficient time to respond. We are, therefore, not in a position to present the Ministry's views on the subject matter.

54. Cost Savings Recommended Re Conferences, Ministry of Correctional Services.

A total of \$67,973 was expended by the Ministry on seminars and conferences during the nine months ended December 31, 1977. A review of these expenditures indicated that little use was made of the government facilities in the Macdonald Block.

Attention was directed to the following two conferences held for Ministry staff:

1. A Probation and Parole Branch conference for seventy-four persons was held at a hotel in Rexdale on October 17 and 18, 1977, at a cost of \$3,700. Hotel accommodation was incurred for the one night at \$30 per person. It was noted that forty-four of the persons in attendance at this conference lived in Metropolitan Toronto.
2. A conference held by the Staff Training and Development Branch at a hotel in Gormley from October 30 to November 3, 1977 was attended by ten persons at a cost of \$2,066. Included in this charge was an amount of \$500 for a conference room. It was noted that two persons in attendance at this conference lived in Metropolitan Toronto.

We recommended that wherever possible use should be made of the Macdonald Block facilities, and consideration be given to restricting accommodation charges to persons who are not within reasonable travelling distance of the conference location.

The preceding comments were included in a memorandum sent to the Ministry on September 21, 1978. The Ministry has not had an opportunity to respond to our comments and we are, therefore, unable to present its views on the matter.

55. Substantial Costs Resulting from Temporary Assignment of an Employee, Ministry of Correctional Services. A Probation and Parole Officer of the Ministry was transferred from Ottawa to Perth, a distance of 48 miles, effective September 2, 1975. Subsequently, this transfer was redesignated a temporary assignment and as a result certain expenses of the Officer were paid by the Ministry. The Ministry made the following travel arrangements:

September 2, 1975

to May 31, 1976

- daily return mileage (96 miles) between Ottawa and Perth,
- lunch;

June 1, 1976 to

May 31, 1977

- \$35 per week for accommodation in Perth,
- \$12 per day for meals,
- mileage for one trip to Ottawa per week;

June 1, 1977 to

January 31, 1978

- daily return mileage (96 miles) between Ottawa and Perth,
- lunch,
- two hours travel time per day.

The operations carried out at the Perth Office were transferred to Smiths Falls, on February 1, 1978. We understood from Ministry correspondence that the status of temporary assignment for this employee would be terminated at that time and he would then be considered as transferred to the Smiths Falls office with all of the entitlements associated with this move.

This temporary assignment appeared to be unusually long in duration and resulted in considerable cost to the Ministry. In our opinion, the costs of transfer could have been minimized if the relocation of the Perth Office had been resolved sooner.

The preceding comments were included in our memorandum of September 21, 1978 to the Ministry. As at September 29, 1978, the date of this Report, the Ministry had not had sufficient time to reply, and we are, therefore, unable to present its views on the matter raised.

56. Administrative Improvements Recommended Re Wintario Grants, Ministry of Culture and Recreation. The Ontario Lottery Corporation Act, 1974, section 9 states:

"The net profits of the Corporation after provision for prizes and the payment of expenses of operations shall be paid into the Consolidated Revenue Fund at such times and in such manner as the Lieutenant Governor in Council may direct, to be available for the promotion and development of physical fitness, sports, recreational and cultural activities and facilities therefor."

In relation to this section the Ministry has published the "Applicant's guide to the Wintario Capital Grants Program" and a number of publications on non-capital grant programs supported by Wintario.

Wintario Non-Capital Grants

The amount of private financial support is an integral part of the calculation of non-capital grants. It was noted that projected future revenues of several organizations applying for arts support, sport and fitness grants were used as private financial support in the grant calculations. The Wintario criteria does not provide for the use of the amount of projected future support in calculating the grants.

Recipients of grants are requested to submit a report and financial statement within one month of completion of the project. During our review of grants for arts support, libraries and sport and fitness, many cases were found where this was not done. At that time no follow-up procedure was in place, although we understood that this would be initiated on February 1, 1978.

One of the conditions relevant to non-capital grants, provided enough time is given to process the application, is that payment is made to the applicant in a single lump sum before the project commences. It would therefore, not seem prudent to make payments several months or years prior to need. One organization requested a grant of \$3,000,000 to cover its operating expenses over a five year period. The grant was paid in one amount on November 8, 1976 and the organization reported that \$2,638,323 had not been used as at January 31, 1978. In another instance, an organization was paid \$5,000 for travel expenses to Europe for certain of its members in February 1977. The organization informed the Ministry in April 1977 that the trip had been postponed until February 1978. It was understood that the Ministry did not request the return of these moneys until needed by the organization. We recommended that grant payments be made as close to the time needed as possible, and that follow-up procedures be used to monitor the use of the grant funds and to initiate recovery action if the recipient fails to use them within a reasonable time.

It was noted that two organizations were paid arts support grants in the amount of \$2,500 and \$695, and subsequently realized surpluses of \$506 and \$308 respectively on the related projects. Correspondence on file indicated that they were allowed to keep the surpluses; this appears contrary to the grant criteria.

Internal Audit Coverage

Additionally, we noted that the Internal Audit section of the Ministry had completed 117 compliance audits of Wintario grant recipients. The major findings were as follows:

1. Some grant recipients did not keep proper records of the funds received and disbursed.
2. Some grant recipients did not file, with the Ministry, reports on the projects being funded.
3. Where reports were not filed, the Ministry did not take action to obtain the reports from the grant recipients.
4. The Ministry's share of some project costs exceeded 50 per cent.

5. Grant moneys were not always used by the recipient within a reasonable time after their receipt.

The following response was received from the Deputy Minister on August 24, 1978:

"Generally, the comments made in your report are accepted without reservation and the Wintario Implementation Committee of the Ministry is developing new policies and administrative procedures to deal with the issues you have raised. Your report indicates that the Wintario criteria does not provide for the use of projected future support in calculating the grants. However, the criteria does not preclude projected future revenues as eligible for the matching share.

"Recently the Ministry developed the following policy directive concerning this issue:

'Projected project revenues (e.g. ticket sales, registration fees, book sales, etc.) will be accepted as matching private contributions. The grant will be calculated on estimated costs and revenues.'

"Your reference to the \$3,000,000 grant for the Multicultural History Project should not be regarded as a regular occurrence. This grant was not made in response to a normal Wintario application, but rather was 'pre-negotiated' between the organization and the Ministry.

"This project was approved as a special grant, approved by the Minister, whereby the Ministry endowed a five-year program, taking into account the fact that the interest earned as a result of one-time payment would offset the inflationary and other cost increases over that period.

"However, the point your report made, that grant payments be made as close to the time needed as possible and that follow-up procedures be used to monitor the use of the grant funds and to initiate recovery action if the recipient fails to use them within a reasonable time, is well taken, and the Ministry is taking steps to develop a policy which would prevent grant recipients from banking a lump sum of money, as well as developing a policy and procedure for the follow-up requirements of Wintario grant recipients.

"Your report indicates that two organizations realized surpluses on their projects. It is the policy of the Ministry that if, after an event has taken place, a group discovers that the actual expenditures are less than those forecasted in the Wintario application, it must report the actual project costs and revenues to the Ministry and indicate for what purposes any unused portion of the Wintario grant will be used. The purpose of both restrictions and alternate use of Wintario funds is to encourage the group's honesty in dealing with the Ministry by rewarding sincere changes in the design of the Wintario project and sincere changes in the result of the Wintario project not forecasted by the group before the event. Any other use of funds, not approved in writing by the Ministry, will result in the Ministry's retrieval of these funds.

"Your comments concerning the activities of the Ministry Internal Audit Unit are noted"

57. Allocation of Printing Services Questioned, Ministry of Education. All Ministry printing and duplicating requests, other than for publications, are processed through the Duplicating Services Co-ordinator, Management Services Branch. The printing or duplicating is effected by the Ministry's copycentres, by the Government Duplicating Service of the Ministry of Government Services, by an outside printer, or by a combination of printing sources at the Co-ordinator's discretion.

Statistics provided by the Management Services Branch for printing requisitions processed through the Duplicating Services Co-ordinator are summarized as follows:

	1975-76		1976-77		1977-78 to Aug. 31	
	Jobs	%	Jobs	%	Jobs	%
Sent to Government Duplicating Service	815	45	464	38	169	31
Sent to Outside Printers	698	38	504	41	266	50
Re-directed to Ministry Copycentres, etc.	302	17	252	21	101	19
	<u>1,815</u>		<u>1,220</u>		<u>536</u>	

The preceding figures indicate a definite trend toward the use of outside printers and away from the use of the Government Duplicating Service. This trend is in conflict with the understanding reached at a meeting between Management Services Branch (MSB) and Government Duplicating Service (GDS) in July, 1973. At that time it was concluded that GDS would be able to handle all of the Ministry of Education's duplicating needs, except for what was produced at its copycentres, and that comparatively few jobs would require being sent to outside printers.

We were informed by MSB officials that GDS frequently refuses jobs with the result that recourse must then be made to outside printers. On the other hand, we were informed by GDS officials that they cannot recall having turned down Ministry of Education work for the past two to three years. These officials stated that they were seldom contacted by MSB and maintained that they could handle all of the Ministry of Education's printing and duplicating requirements given reasonable lead time.

We found it difficult to reconcile these widely divergent viewpoints, particularly since communication between the two areas was largely by telephone and no record of any refusals by GDS, nor their reasons therefor, was maintained by MSB.

The apparent atmosphere of non-cooperation between MSB and GDS is disturbing, particularly in the light of the established User's Advisory Committee which, we understand, is chaired by an official of the Ministry of Education. The prime purpose of this Committee is "to provide a means of communication between user ministries and agencies and the Government Duplicating Service". Officials at GDS maintain that they have not been invited to a meeting of the User's Advisory Committee since 1974.

We recommended that immediate initiatives be taken to rectify the existing situation. Such action should, among other things, reduce the amount of work allocated directly to outside printers. Our review suggested that most work could be handled by either GDS or through Print Procurement Service, Ministry of Government Services.

For jobs that must be sent to outside printers, we recommended that formal procedures be instituted for recording:

- (a) the reason(s) work cannot be handled by GDS or the Ministry of Education's copycentres, and
- (b) verbal quotations where written quotations are not obtainable from suppliers and the job is not being tendered.

On January 20, 1978, the Deputy Minister replied as follows:

"We have been aware of the problems which your report addressed and we are endeavouring to improve the situation and the relationships involved. We accept your recommendation for recording information pertaining to printing jobs being sent to outside printers."

58. Need for Timely Billing Procedures, Ministry of the Environment. Our memorandum to the Ministry dated March 9, 1976 pointed out that monthly billings to municipalities for water and sewage charges on provincial projects indicated that charges were not consistently processed on a current basis. The reply from the Ministry stated that a follow-up system was in place which would insure that billings would, thereafter, be made on a current basis.

An examination of billings for the period March to July 1977 indicated that a major portion of the utility service charges are still not being billed currently. For example, 306 billings, totalling \$4,404,142, were issued in July 1977 and 304 of these, totalling \$4,273,269, were for service provided in the months of April and May. These latter billings should have been made in May and June respectively. We recommended that charges be processed on a current basis using estimated flows where necessary.

The Ministry replied as follows:

"The March 9, 1976 audit memorandum pointed out that the monthly service billings were not processed on a current basis during 1975. This was mainly due to meter readings not being available for billing purposes, however, this has been followed up and generally corrected during 1976-77. The delays experienced during 1977 were mainly due to a continuing complement constraint on an expanding programme (a 70% increase in completed projects between 1975 and 1977). Since the billing clerk is utilized to assist with the February 15th statutory reporting requirements to municipalities and for the Provincial fiscal year-end requirements, a backlog of billings resulted.

Positive administrative steps have been taken to overcome the billing problem in peak periods. An electronic accounting machine was installed in 1977 and will speed up the billing process in 1978."

59. Home Owner Employee Relocation Plan, Ministry of Government Services.

The Home Owner Employee Relocation Plan was approved by Management Board of Cabinet and came into effect on July 1, 1974. The purpose of the Plan is to assist and protect those employees who, through normal organizational changes, are moved from one locality to another. The Plan has been operated for the Government by a realtor selected by the tendering process. The costs of the Plan have been financed by the Ministry of Government Services, and are recovered from the assisted employees' Ministries and Agencies. The costs of the Plan include appraisal fees, agent's administration fees, losses on properties sold, interest on cash advances and carrying charges on properties purchased at the guaranteed purchase price.

Where an employee elects, on transfer, to use the Plan in selling his/her home the undernoted steps are followed:

1. The guaranteed property price is established from two appraisals.
2. Where the employee agrees to this price the property is listed for sale by the Plan agent for 90 days.
3. If the property is unsold at the end of this period it is then purchased from the employee by the agent, In Trust for the Crown, at the guaranteed property price.

Those properties unsold at the end of the 90 day period continue to be held In Trust for the Crown until sold. Pending sale, the Plan agent manages the properties and bills the Ministry each month for its expenditures in this connection.

The total selling price of all properties sold and closed under the Plan in the period April 1, 1976 to September 30, 1977 amounted to \$20,761,824. Charges from the Plan's agents to the Ministry for managing and selling Plan properties and billed to the Ministry amounted to \$2,221,182 in this period. By way of comparison it is estimated that, had this Plan not existed, and had employees been able to sell their properties without the Ministry's assistance at comparable prices, legal and real estate costs absorbed by the Government would have approximated \$1,250,000.

The Plan's expenditures include losses on properties sold below the acquisition cost. During the period April 1, 1976 to November 30, 1977, 200 properties which had been acquired by the Plan were sold at a total net capital loss of \$485,202. This represented 14 properties sold at a capital profit of \$8,695 and 186 properties sold at a capital loss of \$493,897.

The three largest capital losses noted during the audit period amounted to \$23,000, \$10,500 and \$9,750. Carrying costs on these properties between the date of acquisition and sale totalled \$35,966. According to documentation in the Plan files, two of these properties were in a poor state of repair, and this was believed to be the reason for the large capital losses. It appears that more accurate appraisals are necessary to protect the interest of the Government.

As at November 30, 1977 a total of 129 properties purchased by the Plan at a total guaranteed purchase price of \$6,137,754 were held in trust awaiting disposition. Nine of these properties had been held for more than one year and in-

volved a total purchase price of \$370,083 and carrying costs to November 30, 1977 of \$57,640.

When an agreement is made during the 90 day listing period to sell an employee's property with a closing date after this period, the Plan purchases the property from the employee at the end of the 90 day period, and resells it to the purchaser on the closing date. This procedure requires the Plan to pay legal fees on both the purchase and resale, which are .85 per cent and .6 per cent of the selling prices respectively. A number of instances of this kind were noted during the audit period. We recommended that in these cases consideration be given to renegotiating the guaranteed purchase price agreement date to the final closing date, thus relieving the Plan of the necessity to purchase and sell with the attendant additional costs.

Attention was directed to the following matters relative to the records of Plan transactions:

1. A number of instances were noted where documentation, such as statements of adjustment on purchases and resales were not on file. It is essential that such documentation be obtained to effectively verify charges from the agent.
2. At the time of our review the losses and gains on properties sold by the Plan were calculated on pieces of scratch paper. We recommended that a more formal record be used for this purpose and retained on file.
3. We also recommended that a check list be placed in each file to ensure that all legitimate charges and documentation are received, and to avoid duplication of charges. Such a check list would be most important when a change occurs in the agent administering the Plan, or in the staff within the Home Ownership section.

The following comments were received from the Ministry on July 27, 1978:

"Under the terms resulting from competitive tender, the fee paid per appraisal is limited to \$100.00. Such a fee is regarded by many qualified appraisers as being too low. Furthermore in some areas there is a shortage of accredited appraisers.

"We are aware of the problems that arise from the appraisal function as a result of using less qualified appraisers, and are taking steps to use only appraisers with appropriate qualifications in future.

"The growth in Plan activity, coupled with staffing by temporary personnel, made it difficult to monitor procedures and identify all errors in the period under review. Plan documentation and records were likewise affected.

"Steps have now been taken which should avoid similar problems in future.

"It is now our practice to proceed along the lines suggested in your recommendation when a closing falls outside a listing period."

60. Unrecovered Accommodation Costs Re 1976 Olympic Games, Ministry of Government Services. In May 1975, Management Board of Cabinet approved

a special advance of \$90,000 for the purchase of 1976 Olympic Games tickets for sale to Members of the Legislature and senior government officials. The responsibility for the purchase and resale of the tickets was assigned to the Protocol Services Branch of the Ministry. Tickets to a value of \$42,987 were purchased and accommodation in Montreal hotels and other facilities was reserved for use of individuals attending the games at a cost of \$31,461. It was noted that Management Board had not authorized the advance purchase of accommodation. Recoveries amounted to \$42,146 for tickets and \$20,547 for accommodation, resulting in unrecovered ticket costs of \$841 and unrecovered accommodation costs of \$10,914. The unrecovered accommodation costs represented accommodation paid for but not used during the period July 16 to August 1, 1976. The unrecovered costs were charged to the Protocol Services appropriation in December 1976.

On July 27, 1978 the Ministry replied as follows:

"We accept responsibility for failing to more accurately describe the request for a special advance of \$90,000 as being partly for tickets (\$55,000) and partly for accommodation (\$35,000). However, as our Protocol Services Branch was acting as the secretariat for and on the instructions of the Ontario Co-ordinating Committee, the intended use of the funds was known in advance by the Management Board of Cabinet.

"In order to obtain what prior to the events appeared to be the most advantageous rates as well as a fair share of the tickets for the more popular events, certain advance bookings and ticket mixes had to be accepted and prepaid. Arrangements were also made with the hotels to re-sell any accommodation we did not need and to credit us with amounts so recovered.

"Unfortunately a number of the less popular events remained under-subscribed, a number of V.I.P. visits to Olympic sites did not materialize and the general demand for accommodation fell greatly below anticipated levels. Part of this was the result of the cancellation of events following the withdrawal of a number of countries from the XXI Olympiad.

"As a result, a number of tickets (total value \$841 against total outlay of \$42,987) and a substantial portion of the accommodation costs (\$10,914 of \$30,790) could not be recovered.

"All accounts for tickets and accommodation used have now been settled."

61. Compliance with Established Tendering Procedures Recommended, Ministry of Government Services. During a review of tenders received for printing, it was noted that one firm outside Metropolitan Toronto regularly tendered via telecommunication message. According to the Ministry's Policy and Procedure Manual, telegram and telex tenders will be accepted provided that the hard copy of the telegram/telex, or the telephone message is received from CN-CP Telecommunications or the Ontario Government Telecommunication Services Branch prior to

the tender closing. In such cases, the tender documents should be mailed at least 24 hours before the closing date and time, as evidenced by the post mark. Of eight tenders awarded to this firm between April and October 1977, it was found in four cases that the post mark on the tender envelope submitted was the same date or a date subsequent to the tender closing. In two other cases the tender envelope was never received and presumed lost in the mail. Photostatic copies of the tender documents were made and signed by representatives of the firm. We recommended that Ministry rules on acceptance of tenders by telecommunication be strictly followed.

The Ministry subsequently commented as follows:

"While some potential suppliers submit initial tenders by telecommunication only on occasion, we are aware of some more consistent users of this procedure. From time to time, we contact the latter for explanations, especially where there appears to be some question about the time of mailing of the written confirmation. It should be noted that many of our tendered printing requirements have to be obtained on relatively short notice so that out-of-town suppliers have less lead time and cannot rely only on the mail for delivery of their bids.

"Also, delays occurring at the dispatching post office result in the application of late cancellation postmarks. We have experienced such difficulties in some localities affecting a number of vendors. As a result, we propose to review the procedures and rules applicable to the acceptance of telecommunication messages for tender bids. However, we must also point out that the problem has affected very few of the approximately 1,400 printing tenders issued last year."

62. Vacant Leased Premises, Ministry of Government Services. A review of the vacant space reports prepared each month by the Planning and Research Branch of the Ministry was carried out for the period April 1, 1977 to December 31, 1977. Reports prior to April 1, 1977 were also reviewed to determine the initial vacancy date on areas reported vacant on the April 1977 report. The average vacant space for 1977 was 3.6 per cent in Metropolitan Toronto and 1.6 per cent in the rest of the province. Although this rate of vacancy appears small in relation to the total useable space, there were certain locations in Toronto with vacancies for relatively long periods of time as follows:

Lease 4260 Floors 7, 8 and 9—77 Grenville Street
21,450 square feet

Vacant May 1976 to March 1977
Total rent for period—\$123,280

Lease 4250 1st Floor—130 Orfus Road
9,140 square feet

Vacant July 1976 to termination December 31, 1977
Total rent for period—\$21,250

Lease 3783 3rd Floor—18 King Street East
8,500 square feet

Vacant since leased August 1, 1977
Total rent for period—\$42,500

Lease 1237 Floors 2 and 3—505 University Avenue
 6,000 square feet
 Vacant: Floor 2—14 months to expiry of lease July 1, 1977
 Floor 3—22 months to expiry of lease July 1, 1977
 Total rent for period—\$64,800

Lease 4287 Floors 23, 24 and 25—400 University Avenue
 26,500 square feet
 Vacant February 1977 to November 1977
 Total rent for period—\$143,050

On July 27, 1978 the Ministry commented as follows:

*"L-4260 Floors 7, 8 & 9—77 Grenville 21,450 sq. ft.
 Vacant May 1976—March 1977*

This space was held as an interim location for the consolidation of the new Ministry of Culture and Recreation. Once Culture and Recreation relocated to 77 Bloor Street, the space was prepared for occupancy by the Ministry of Natural Resources, Geological Survey Section.

*"L-4250 1st Floor—130 Orfus Road 9,140 sq. ft.
 July 1976 to termination December 31, 1977*

This location was held pending M.T.C. re-organizations and consolidation at Downsview. The space was used on an interim basis during alteration projects at Downsview. Considerable expenditure would have been involved in putting the space in a condition acceptable to the lessor, if the space had been relinquished prior to the date of the termination of the lease.

*"L-3783 3rd Floor—18 King St. E. 8,500 sq. ft.
 Vacant since leased—August 1, 1977*

This space was leased to accommodate the proposed staff from the Court Administration Group to be formed under the 'White Paper on Court Administration' 1977. The leasing of the space was approved by Management Board but later Management Board withheld funds for alterations and furniture purchases until the Ministry of the Attorney General had developed a master plan for Head Office Toronto.

The 3rd floor has had 75% occupancy since August 1977 by staff of branches who will be relocating to other floors when the master plan is completed and approved. It is anticipated that the space will be fully occupied in the near future.

*"L-1237 Floors 2 & 3—505 University Ave. 6,000 sq. ft.
 Vacant: Floor 2—14 months to expiry July 1, 1977
 Floor 3—22 months to expiry July 1, 1977*

This location was used by the Solicitor General and retained during the phasing in of the George Drew Building. There were interim occupants from various ministries. On or about May 26, 1977, 3,000 sq. ft. of space on the 2nd floor reverted to the lessor. The balance of the space was in small blocks (1,900 sq. ft. on the third floor; 1,000 sq. ft. on the

second floor), and it was not possible to find occupants for this space or to sublet for the balance of the lease.

*"L-4287 Floors 23, 24 & 25—400 University Ave. 26,500 sq. ft.
Vacant—February 1977 to November 1977*

15,000 sq. ft. of space was reserved for the Ministry of Consumer and Commercial Relations for relocation to 400 University Avenue as leases expired at 555 Yonge Street. Space was allocated to the Ministry of Labour also relocating from 555 Yonge Street. Other vacant space arose from the formation of the Ministry of Culture and Recreation which took over certain functions from the Ministry of Colleges and Universities and relocated staff from 400 University Avenue to 77 Bloor St. W.

"The remainder of the space was reserved for various relocations of the Ministry of the Attorney General."

63. Improper Distribution of Expenditure in Volume 1 of 1976-77 Public Accounts, Ministry of Government Services. A review of expenditure within the Provision of Accommodation Program of the Ministry indicated that certain expenditures were not being charged to the correct standard accounts classification for presentation in the Public Accounts 1976-77, Volume I. The Public Accounts 1976-77 states on page 8 that the standard account, Acquisition/Construction of Physical Assets, includes all costs of acquisition and construction by contract of new and used buildings and engineering structures, together with the cost of acquisition of land.

The Capital Construction activity for the 1976-77 fiscal year contained an expenditure of \$68,698,976 for the Acquisition/Construction of Physical Assets account. This account was found to include an amount for salaries and wages of \$344,558. Similarly, other expenditures including engineering fees, architect fees, equipment and furniture installed in new buildings were charged to Acquisition/Construction. They should have been charged to Transportation and Communication in the amount of \$103,200, Services in the amount of \$7,550,233 and Supplies and Equipment in the amount of \$2,514,572.

The Real Property Acquisition activity under the Provision of Accommodation Program in the fiscal year 1976-77 also included an Acquisition/Construction account to which salaries and wages in the amount of \$65,200 were incorrectly charged.

In view of these observations, attention was directed to Accounting Policy statement number 302 issued by the Ministry of Treasury, Economics and Intergovernmental Affairs.

At the time of our review, we noted a similar situation in the 1977-78 fiscal year, with salaries and wages being charged to standard accounts other than salaries and wages. We understood that this matter was being reviewed by the Ministry and Management Board.

The following response was received on July 27, 1978:

"Agreement has now been reached with Management Board and the

Ministry of Treasury, Economics and Intergovernmental Affairs regarding standard account classifications for program delivery expenditures in the Provision of Accommodation Program.

"A submission has recently been made to Management Board with respect to the reclassification of expenditures for the 1978-79 fiscal year."

64. Lost Cash Discounts on Purchases, Ministry of Health. An examination of suppliers' invoices paid during the audit period from April 1, 1976 to September 30, 1977 indicated that full advantage was not being taken of discount terms on suppliers' invoices:

<u>Ministry Areas or Branches</u>	<u>Total Amount of Invoices Reviewed</u>	<u>Cash Discount Lost</u>
	\$	\$
Government Pharmacy	1,941,069	27,207
Supply and Services (Reproduction)	150,407	3,008
Ambulance Services	140,887	2,400
Laboratory Services	109,278	1,104
Psychiatric Facilities	52,398	620
Other	16,726	184
	<u>2,410,765</u>	<u>34,523</u>

We were advised that effective October 1, 1977, invoices for the Government Pharmacy, bearing discount terms, are to be paid through the Accountable Advance in order to take advantage of cash discounts. We recommended that efforts be made in other areas of the Ministry to arrange the processing of suppliers' invoices so that payment is made in time to take advantage of cash discounts.

On February 17, 1978 the Ministry responded as follows:

"As noted in the Audit Report, effective October 1, 1977, Government Pharmacy invoices bearing discounts are being paid through the accountable advance. We have issued a circular to all other Branches to use the accountable advance to take advantage of these cash discounts as well."

65. Cancellation Charges Incurred in Connection with Excessive Coal Purchases, London Psychiatric Hospital, Ministry of Health. A contract was awarded on June 26, 1975 to an engineering company for the conversion of the heating facilities at the London Psychiatric Hospital from the use of coal to oil with the scheduled completion of a boiler in each of the months of October, November and December 1975. However, we understood that the conversion was not completed until May 1976.

It was learned that on June 25, 1975, the day before the contract for the conversion work was awarded, 7,500 tons of coal were ordered to be delivered, "as required". Shortly thereafter it was realized that the entire quantity of coal on this order would not be required. Efforts made through the Ministry of Government Services to dispose of this coal to other users at a reasonable price were unsuccessful, and it was decided that the most economical solution was to pay a cancellation charge to the supplier and not take delivery. This charge was \$22.70 per ton on 7,500 tons, or \$170,250, and was paid on March 31, 1976.

Additionally, during the period of the conversion, coal continued to be delivered on an order placed with the supplier in June 1974. The last delivery of coal on this order was made on May 12, 1976 leaving a balance of approximately 162 tons outstanding at that time. Failure to take delivery of the balance resulted in a cancellation charge of \$19.70 per ton against the Ministry. The supplier of the coal issued an invoice to the Ministry on June 10, 1976 in the amount of \$3,195 and this was subsequently paid.

Thus, a total of \$173,445 was paid for cancelling deliveries on these orders. We acknowledged that some surplus coal would inevitably result from a major conversion such as this. However, we felt that a closer liaison between those areas or branches determining the timing of the conversion and the final ordering of the coal would have resulted in a smaller surplus of coal and a smaller penalty being paid.

The Deputy Minister replied to our comments on February 17, 1978:

"... your point about poor liaison in this instance is well taken. Without attempting to apportion blame, all parties concerned are now aware of the need for a better coordination of effort in the future."

66. Improved Collection Procedures Recommended Re Bursaries Recoverable, Ministry of Health. The Ministry has offered several forms of bursaries and grants to medical, dental and nursing students and to physicians specializing in psychiatry. In certain of these cases the award, or part of the award, is repayable to the Ministry if certain commitments made at the time of the grant are not fulfilled by the recipients. Accounts receivable in this regard, including amounts due under guaranteed income contracts totalled \$516,359 at March 31, 1977 and the corresponding total at February 28, 1978, per Ministry records, was \$433,278.

A review of the procedures in effect for the recovery of outstanding accounts indicated a need for improvement in the follow-up and collection activities. One instance was noted where a recipient of a grant, who had apparently failed to provide the required return of service, had not been recorded as a debtor. This matter was referred to the staff concerned for further review and corrective action. Instances were also observed where the regular repayment instalments made by the grant recipients had not been sufficient to offset the interest charges on the amounts owing, and as a consequence the current outstanding balances were greater than the amounts of the original debts. We felt that the Ministry should endeavour to establish grant repayment schedules that would provide for a reduction in the principal amounts owing in addition to the payment of all related charges.

During the course of the prior audit we suggested that the right of set-off under section 54 of The Financial Administration Act might be exercised for bursary recipients who were submitting billings to the Plan as opt-in physicians or medical services rendered. A report by the Audit Branch of the Ministry dated November 4, 1977 made a similar comment but suggested that a legal opinion on the proposal should be obtained. We understand that the Legal Branch has confirmed the propriety of this procedure, and that steps will be taken to effect recovery in this manner where a debtor does not offer a satisfactory alternative.

The following response was received on August 11, 1978:

“The instance noted by the Auditor whereby a recipient of a grant who had failed to provide the required return of service was not recorded as a debtor was due to a clerical error and has been corrected. The omission, which was discovered by the Auditor before the printout of the trial balance for the month was available, would have been routinely detected and corrected when the trial balance was reviewed.

“We are in agreement with the Auditor’s suggestion that all repayment instalments should be sufficient to cover interest and part of the principal and we do insist on this. However, this is not always possible when debtors are still in training or internship.

“We have referred to the right of set-off under Section 54 of The Financial Administration Act in three instances so far and in each case the debtor has agreed to a satisfactory alternative.”

67. Improved Verification Procedures Recommended Re Partially and Fully Assisted Participants, Ontario Health Insurance Plan, Ministry of Health. Net premiums received by the Ministry for insured services amounted to \$798,656,250 in the 1976-77 fiscal year and to \$729,138,411 in the eleven months ended February 28, 1978. The prevailing premium rates during the period under review were \$16 per month for a single person and \$32 per month for family coverage.

A large number of participants receive fully or partially subsidized health insurance coverage from the Plan. For example, under section 13 of The Health Insurance Act, 1972, any person who is sixty-five years of age or over and who, on application is found eligible, is entitled to be an insured person along with his spouse and eligible dependents without payment of premiums. Such exemption only applies when a person has been ordinarily resident in Ontario for the previous twelve months. Additionally, persons who satisfy the residence qualification may be eligible for premium relief or assistance under section 14 of the Act based upon taxable income and other criteria as detailed in section 27 of Ontario Regulation 323/72. There is also provision in section 14 of the Act for temporary premium assistance when a recipient is unable to pay premiums due to unemployment, illness, disability or financial hardship.

Statistics prepared by the Ministry provide the under-noted analysis of premium revenue waived during 1976-77 by reason of this premium assistance, based on insurance coverage in force at the end of each month:

	\$
Partially Assisted	546,058
Fully Assisted	
Taxable Income	36,634,328
Temporary Assistance	8,276,885
Age 65 and over	175,657,324
Indians	3,976,316
Department of Veterans’ Affairs (Canada)	4,505,383
Municipal Welfare	18,923,900
Provincial Welfare	36,597,371
	<u>285,117,565</u>

The following comments were made with respect to a review of a number of applications for premium assistance:

1. One of the prerequisites to receiving premium assistance based on taxable income is that an individual must have resided in Ontario for a period of at least twelve consecutive months immediately prior to requesting premium assistance. It was noted, however, that a number of applications examined during the course of the audit had been granted although the required residency information was not provided.

In determining eligibility for premium assistance, the taxable income of an applicant is estimated for the calendar year in which application is made. The actual taxable income of an applicant, however, could increase significantly over the estimated taxable income for this period and result in continued premium assistance which would not be warranted. We therefore were of the opinion that granting premium assistance for a full year based on estimated taxable income is too long a period and that consideration should be given to reducing this term to six months. In this regard, it was noted that for recipients of public assistance, the benefit period is initially for a term of six months with extensions for successive periods of three months each as provided in the legislation.
2. A number of foreign students receive temporary health insurance premium assistance although they are apparently supported by their parents or relatives overseas. Instances were also observed where foreign students, some under 21 years of age and therefore dependents in terms of The Health Insurance Act, 1972, had successive applications for temporary assistance approved. Section 33 of Ontario Regulation 323/72 made under The Health Insurance Act, 1972, provides that the benefit period for a foreign student commences on the date upon which he pays his first premium after his arrival in Ontario, which would suggest that payment is required from such persons for health insurance coverage.
3. Eligible persons aged 65 or over are exempted from payment of premiums for insured services under section 13 of The Health Insurance Act, 1972. It was understood that the applications for such exemptions, signed and witnessed by designated individuals, are currently accepted and processed by the staff without further verification. We felt that consideration should be given to the possibility of utilizing information maintained by the Drug Benefit Branch of the Ministry or the Government of Canada to assess eligibility for premium exemption based on age.
4. Recipients of public assistance are entitled to free health insurance coverage, and the applicants and the municipal agents concerned are required to sign and date the relevant application forms. It was observed that these requirements were not always fulfilled and that a number of applications bore the signature or initials of the respective municipal welfare administrator or other official in the space provided for the applicant's signature. Also, at the time of our audit, no list of the signatures of authorizing municipal officials was being maintained to ensure the authenticity of persons signing in that capacity. We suggested that a

more effective control should be established over applications for assistance submitted under the signature of a municipal official and over the reserve stock of municipal application forms maintained in the Enrolment Branch.

The Ministry responded to our comments on August 11, 1978:

1. *"Although subscribers may fail to indicate number of years they have resided in Ontario in the upper panel of the premium assistance form they are required to sign their name below the declaration that they have resided in Ontario 'for the past twelve months'. 'We included this additional area on the form which pertains to residency to highlight the need for 12 months residency to be eligible for premium assistance and do not feel we should return the form when applicant fails to complete the panel.*
"We agree that granting of assistance for shorter periods (6 months) would allow a more accurate assessment. However, a larger clerical staff would be required to handle current volume twice a year (present program embraces 160,000 applications).
2. *"According to our Legal Branch, the fact that foreign students are under age 21 has no relevance to Section 1 of our Regulations (dependent). Additionally, Section 33(c) only deals with prescribing of waiting periods for persons applying (immigrants, persons with Ministerial permits and foreign students) and mention of 'paying first premium' is meant to indicate the act of applying only. As a 'resident' for insurance purposes, foreign students are entitled to apply for premium assistance in accordance with Section 14(2) of the Act. However, amendments to Section 14, Subsection 1 and 2 of The Health Insurance Act, 1972, have been proposed, which will exclude foreign students.*
3. *"A system of verifying age with the Drug Benefit Branch has been under review for several months. This project was established as a long range goal during 1977 and is expected to be completed within the next few months.*
4. *"We are taking steps to ensure that all applications are signed by the Municipal Welfare Administrators (300) or social worker as well as the applicant. On occasion, we have granted permission to accept the Welfare Administrator's signature in situations where applicant cannot be reached because of geographic location.*
"Additionally, we are taking steps to maintain a more effective control of our pre-numbered applications and distribution of same. We are also reviewing the possibility of maintaining a list of signatures for all Municipal Welfare Administrators in order to verify applications on arrival.
"In the form of a 'long range project', we are studying the feasibility of transferring the Municipal Welfare enrolment program back to a group system."

68. Observations and Recommendations Re the Ontario Human Rights Commission, Ministry of Labour. The Ontario Human Rights Commission is responsible to the Minister of Labour for the administration of The Ontario Human Rights Code. The members of the Commission are appointed by the Lieutenant Governor in Council who may designate one of the members as chairman and determine their remuneration. The cost of administration of the Code is payable out of moneys appropriated therefor by the Legislature, and such staff as are considered appropriate may be appointed under The Public Service Act.

During the year, we completed a detailed audit of the Commission's expenditures for the three year period ending March 31, 1978. Such expenditures for the three year period amounted to \$3,596,449 and are summarized as follows:

	\$	\$
Remuneration: Commission Members		
Per diem Fees	212,022	
Salaries and Benefits	7,859	219,881
Remuneration: Staff and Others		
Salaries and Benefits	2,461,056	
Chairmen, Boards of Inquiry	19,475	
Legal Counsel, Boards of Inquiry	34,302	
Other Legal Services	48,079	
Other Professional Services	21,798	
Temporary Help	99,222	2,683,932
Transportation and Communication		
Travel Expense — Members	38,767	
— Staff	233,230	
— Others	8,148	
Staff Transfer Expense	20,773	
Mailing and Postage	20,712	
Telephone Services	14,156	
Other Communication Services	4,518	340,304
Advertising		93,554
Publications		99,658
Receptions, Seminars and Conferences		20,589
Office and Administrative		
Rental of Equipment	33,789	
Rental of Office Space	20,055	
Furniture and Equipment	25,430	
Supplies	26,610	
Staff Development and Memberships	11,911	
Translation Services	10,138	
		138,531
		<u>3,596,449</u>

The following observations were included in a memorandum sent to the Ministry of Labour on July 13, 1978.

Remuneration: Commission Members

As at March 31, 1978 the Commission was composed of eight members, one of whom had been designated as Chairman and another as Vice-Chairman. The current Chairman was appointed for a period of three years effective from February 19, 1978 while retaining the rank and status of a Deputy Minister. The previous Chairman had served from February 19, 1975 until February 18, 1978. The Vice-Chairman was designated by Order in Council dated March 15, 1978.

While engaged in the work of the Commission, the former Chairman was paid at the rate of \$200 per day. The current Chairman, being a public servant, receives the normal salary and benefits for her rank. For attending meetings and hearings of the Commission or when engaged in other necessary business of the Commission, the other members are paid at the rate of \$110 per day. For time spent in preparation for meetings and other formal business of the Commission, an hourly rate of \$13.75, not to exceed four hours for any one meeting, is authorized. The rates for the recently designated Vice-Chairman are \$135 per day and an hourly rate of \$16.90 up to \$135 per day respectively. The per diem fees are in addition to the reimbursement for travel and out of pocket expense incurred in the course of Commission duties.

Payments for attendance at Commission meetings were made on the basis of memoranda submitted by the Chairman. Members received the full-day rate even though meetings sometimes lasted less than four hours. Generally, the maximum of \$55 for time spent in preparation was paid to all members other than the Chairman. We noted six instances where there appeared to be some conflict between the attendance as submitted by the Chairman and as recorded in the Commission's Minutes or as indicated by travel data.

In our view it would have been more appropriate for members to have included their per diem fees on their expense claims indicating actual activity dates, preparation hours, and descriptive detail for additional duties. We noted that the current Chairman has instituted this practice.

Legal Counsel, Boards of Inquiry

Pursuant to section 14a of The Ontario Human Rights Code, the Minister upon the recommendation of the Commission, may appoint a board of inquiry consisting of one or more persons to hear and decide a complaint. During the three years covered by our review, the Minister made 26 appointments from a roster of university faculty of law members.

One of the purposes of the policy on legal services as expressed in the Ontario Manual of Administration (section 50.8) is to ensure that available Government legal talent is appropriately utilized before private sector counsel is retained. Although commissions are exempted from this aspect of the policy, the Ministry of the Attorney General in 1975 indicated its willingness to supply legal counsel for boards of inquiry. However, the Commission is desirous of preserving its right to choose independent legal counsel as may be deemed appropriate for reasons pertaining to conflict of interest and objectivity. We were informed also that some cases require a level of expertise and familiarity with the Code that is not always readily available from Ministry of the Attorney General resources. Accordingly, private sector legal counsel were engaged for 11 boards of inquiry and billings received up to March 31, 1978 for these services totalled \$34,302.

Other Professional Services

The terms of an agreement with a university dated February 4, 1975 provided that a faculty member would personally undertake a research project on "Employment Problems of Northern Ontario Indians: A Pilot Study". The duration of the contract was to be for the period February 1, 1975 to May 30, 197

with payment limited to \$7,000. Two-thirds of the amount was paid in March 1975 with the balance to be paid upon receipt of the completed report. However, the report was not submitted until the summer of 1977 and the final payment of \$2,334 was made in October 1977. The study subsequently was evaluated by an independent scholar and found to be unfavourable from both a methodological perspective and in terms of the faculty member's hypotheses concerning native values and social organization.

Although we understood that the report was useful to the Commission as an internal document, we felt the delay in submission of the report and a failure to monitor the progress of the study limited the benefit attained therefrom.

Travel Expense, Commission Staff

Our observations during a review of the travel expense claims for Commission staff included the following:

1. During the three-year period, mileage allowance of approximately \$82,000 was paid for 443,100 miles driven by members of the staff. Mileage for each of five persons ranged from 21 to 29 thousand for the three years with a single year high for one person of 18,751 miles. In view of the requirement for extensive travel by some employees, it was suggested that the feasibility of using Government-owned vehicles or other means of transportation be explored from an economical point of view.
2. A significant number of meals are claimed by employees for work after normal office hours and the cost of such meals in 1977-78 was \$3,644. A review of the travel expense for one employee showed that 479 dinner meals had been claimed over the three-year period, nearly all being in this category. In such recurring situations, we recommended that the circumstances be reviewed.

Receptions, Seminars and Conferences

Included in the expense for this category were payments to a Toronto hotel which may be summarized as follows:

Meals and refreshments	\$ 9,207
Accommodation	3,430
Gratuities and tax	1,951
Miscellaneous	64
	<hr/>
	\$14,652
	<hr/>

These costs were incurred generally in connection with Commission meetings which were held at the hotel. Of 63 days on which meetings were convened, this hotel was used on 48 occasions, other hotels 5 times, and Government accommodation 10 times. The consensus of the members, as recorded in the minutes of a meeting held in May 1976, was that meetings should be held at the hotel where the members from out-of-town were staying. This policy has been revised as announced by the current Chairman and arrangements have been made to obtain Government accommodation when meetings are held in Toronto.

The expense shown for meals and refreshments was mainly for luncheons held in conjunction with the meetings. The luncheons were attended by Commission members, guests and senior staff, but the names of those in attendance and the cost per person or other detail were not usually indicated on the documents presented for payment. The expense included the following events:

	\$
1. November 18, 1977 — A buffet luncheon served at a meeting of the Commission	334
2. December 15, 1977 — A buffet luncheon served at a meeting of the Commission and partly to honour an employee	485
3. December 16, 1977 — A buffet luncheon served at a meeting of the Commission	263
4. January 26, 1978 — A buffet luncheon served at a meeting of the Commission	210
5. January 27, 1978 — A buffet luncheon served at a meeting of the Commission	280
6. February 9, 1978 — A buffet luncheon served at a meeting of the Commission and a dinner meeting attended by present and newly appointed Commissioners and senior staff	836
7. February 10, 1978 — A buffet luncheon served at a special meeting attended by present and newly appointed Commissioners and by staff of the Toronto Office of the Commission	416

In our opinion, these expenditures were not entirely in compliance with the rules for hospitality expenses as published in the Ontario Manual of Administration, 60-2.

Supplies and Equipment

Office accommodation for the former Chairman and his immediate staff was obtained on a rental basis in Peterborough, Ontario. A test of supply purchases for the three-year period indicated that a number of books were requisitioned for the Peterborough office. It was also noted that six filing cabinets were shipped to the Peterborough office in 1975. At the completion of our audit, neither the books nor the cabinets had been transferred to the Toronto offices of the current Chairman.

We therefore recommended that steps be taken to recover all Commission files, supplies and equipment which may still be in Peterborough.

At the date of this Report, September 29, 1978, we have no record of a reply. We are, therefore, unable to present the Ministry's views on the matters raised.

69. Observations Re Expenditure of the Royal Commission on Electric Power Planning, Resources Development Policy. The Royal Commission on Electric Power Planning was designated by Order in Council dated July 17, 1975. The terms of reference for the Commission, which was appointed to inquire into the long range planning of Ontario's electrical power needs, were subsequently amended by Orders in Council dated December 14, 1977 and July 12, 1978. The latter Order requested that the Commission provide the Government with its final report and recommendations by October 31, 1979.

As at July 31, 1978 the Commission was composed of four members including the Chairman, a fifth member having resigned for health reasons in June 1977. The Commission was empowered to "engage staff, counsel, expert technical advisors, investigators and other staff as it deems proper at rates of remuneration and reimbursement to be approved by Management Board of Cabinet".

The recorded expenditure of the Commission from inception to July 31, 1978, amounted to \$3,395,936 and may be summarized as follows:

	\$	\$
REMUNERATION: COMMISSION MEMBERS		
Contractual Agreements, Chairman	163,430	
Per Diem Fees	151,250	
Salary and Benefits	<u>50,068</u>	364,748
REMUNERATION: STAFF AND OTHERS		
Salaries and Benefits	754,599	
Consultant Services	373,072	
Legal Counsel	146,833	
Contractual Agreements, Executive Director	146,345	
Temporary Help	<u>61,081</u>	1,481,930
TRANSPORTATION AND COMMUNICATION		
Travel, Accommodation and Food	244,950	
Telephone Service	22,342	
Mailing and Postage	22,261	
Other Accounts	<u>7,409</u>	296,962
PUBLIC INFORMATION AND PARTICIPATION		
Public Funding	311,080	
Public Relations and Advertising	268,228	
Recording and Transcribing	169,586	
Other Public Participation Costs	<u>61,641</u>	810,535
OFFICE AND ADMINISTRATIVE		
Printing and Duplicating	126,255	
Lease and Leasehold Improvements	120,019	
Furniture and Equipment	47,464	
Books, Stationery and Supplies	46,222	
Data Processing Services	40,654	
Other Disbursements for Services	<u>61,147</u>	441,761
		<u>3,395,936</u>

Observations made with respect to a number of the summarized expense categories are as follows:

Remuneration: Commission Members

Remuneration for the Chairman from the date of his appointment (March 13, 1975) until June 30, 1976 was in the form of reimbursement to a university for his services (\$52,030) plus an honorarium to the Chairman (\$9,000). Thereafter, payments based on a per annum rate were made on a contractual basis to

a firm with which he is associated. The payments to the university were authorized by Order in Council dated September 1, 1975. However, an Order in Council providing for payments after July 1, 1976 was not approved until August 9, 1978.

Three members of the Commission were paid at the rate of \$110 per day while engaged in the business of the Commission. The other Commissioner is a member of the Ontario Energy Board and charges for his services were allocated according to the time spent on Commission business. In this connection, it is noted that charges totalling \$8,500 for the 1975-76 fiscal year were absorbed by the Ontario Energy Board and have not been included in the preceding summary. Statements of days spent on Commission business, as submitted by the Commission members, were not approved by the Chairman.

Total payments to each of the two members currently in receipt of per diem fees were \$94,270 and \$19,470 respectively. The first amount represents 857 days spent on Commission business during the three year period ended July 31, 1978. The "working days" reports submitted by the member included fifty-one Saturdays, eighty Sundays and five statutory holidays. In addition, this member received per diem payments of \$95 from the Ministry of Culture and Recreation for attendance at meetings of the Advisory Council for Franco-Ontarian Affairs. On thirteen occasions, the meetings were held on dates which coincided with those listed in the "working days" reports for Commission business.

Remuneration: Staff and Others

The staff of the Commission at July 31, 1978, not including the Executive Director, consisted of sixteen employees appointed to the unclassified service with the principal emphasis being on research-oriented duties. It was noted that authority to sign the contractual forms for appointment to the unclassified service in accordance with section 8 of The Public Service Act had been delegated to the administrative officer. We believed that it would have been more appropriate for this authority to have been retained by the Chairman or the Executive Director.

Consultant services were mainly related to research activities and involved ninety-eight firms and principals including eighteen from other countries. In addition to the fees of \$373,072, travel and other expenses totalling \$52,603 were reimbursed. The travel expenses were incurred partly in connection with the attendance of consultants at hearings and workshops held by the Commission. Fees for the principals from other countries totalled \$14,774, while the travel expenses included \$4,052 for three who came from Europe and \$2,374 for nine who attended from the United States.

The legal costs include \$109,257 for fees paid to private sector counsel. In this connection, the Ontario Manual of Administration (section 50-8) in reference to commissions, requires that billings from private sector legal counsel in excess of \$1,000 be submitted to the Ministry of the Attorney General for review and approval before payment. Although the engagement of the private sector counsel and the hourly rates were agreed to by the Ministry of the Attorney General,

the billings, which were all in excess of \$1,000, did not bear the required approval when processed for payment.

The Executive Director was engaged through a series of annual contracts providing for payments to a firm with which he is associated. The terms of the contracts established a maximum payment per annum at a specified hourly rate as follows:

<i>Period</i>	<i>Maximum \$</i>	<i>Hourly Rate \$</i>	<i>Actual Payments \$</i>
July 1, 1975 to June 30, 1976	48,000	30	48,000
July 1, 1976 to June 30, 1977	48,000	30	48,330
July 1, 1977 to June 30, 1978	50,400	35	50,015*
	<u>146,400</u>		<u>146,345</u>

* Billing for June 1978 had not been processed as at July 31, 1978. The current contract commencing July 1, 1978 provides for a maximum payment of \$52,500 per annum at \$35 per hour.

Transportation and Communication

The travel, accommodation and food expenses of the Commission as recorded in the accounts to July 31, 1978 are summarized as follows:

	<i>\$</i>
Accommodation and Food	73,592
Air Travel	53,895
Rail and Road Travel	26,996
Receptions, Seminars and Conferences	27,835
Other Travel Expense	62,632
	<u>244,950</u>

Expenses for Commission members totalled \$81,652. As a result of our review, the following comments were made regarding the expenses incurred by one member:

1. The expenses for the member amounted to \$50,082 or 61 per cent of the total. As analysed, the expenses were for:

	<i>\$</i>
Accommodation	18,227
Meals, including hospitality and room service	14,571
Air, rail and road travel	14,799
Other costs	2,485
	<u>50,082</u>

Hotel accommodation in Toronto (\$16,852) and travel to and from the member's residence in Ottawa (\$10,084) accounted for 54 per cent of the expense. The hotel accommodation was mainly on a flat rate basis, the current charge being \$600 per month.

2. Claims and hotel bills did not include the name and employer of all recipients of hospitality and the justification for having provided it.
3. It was noted that, in a number of instances, the member's meal costs, other than those designated as hospitality, exceeded \$25 per day.
4. The "other costs" included \$1,142 charged to a general purpose credit card issued in the Commission's name and processed for payment without explanation or breakdown.

The expenses for Commission staff included \$9,282 billed by the firm with which the Executive Director is associated. The contracts with the firm provided that "when expense incurred, original receipts, whenever possible, with notation as to the purpose for which incurred to be attached to the statement". Meal costs reported on the monthly billings totalled \$5,685 and, based on the individual amounts, it is presumed that many of the charges involved hospitality. Explanations for the meal costs were not attached and the billings did not list the name and employer of recipients of hospitality and the justification for having provided it.

Significant meal costs appearing on hotel and other bills which were allocated to the travel accounts of other members and staff also were not always explained when the bills were presented for payment.

Public Information and Participation

The Commission held a series of preliminary public meetings at locations throughout Ontario followed by public information and debate stage hearings held mainly in Toronto. Additional steps taken by the Commission to ensure that the public was aware of its mandate, and was given the opportunity to participate in the inquiry, included various public relations activities and the provision of funding to public interest groups and individuals.

On March 13, 1975 the Provincial Secretary for Resources Development, in announcing the decision to establish the Commission, stated that funds would be allocated to the Commission for distribution at its discretion to potential participants at the hearings. Accordingly, the Commission developed procedures for public funding and invited applications from individuals, organizations and interest groups. During the 1976-77 fiscal year funds were given to 15 individuals and groups to assist them in the preparation and presentation of research material. In the following year, when a decision was made to hold the debate stage hearings in Toronto, the funding guidelines were revised to include expenses for the actual presentation of submissions to the Commission. Payments were made to 23 individuals and groups for research and other purposes while 53 additional payments totalling \$7,710 were made in conjunction with attendance at the hearings. The total of the payments in both years was \$311,080 of which 76 per cent went to seven groups. Research-oriented awards ranged from \$150 to \$38,000 and general funding included \$67,500 to a research coordinating organization.

As part of our audit, the accounting records of two public interest organizations which had received substantial funding were examined.

The first was an organization, referred to previously, whose primary function was to represent the views of the general public as well as those of public interest groups before the Commission. The organization received \$67,500 in general funding and \$4,500 to support the publication of a newsletter. The Commission also arranged for office space and furniture to be provided from government resources until the operations of the organization ceased in December 1977. Upon settlement of the outstanding accounts, \$4,915 was returned to the Commission in August 1978 and deposited as revenue. Our examination of the accounting

records did not reveal any disbursements inconsistent with the purposes for which the funds were provided. However, when the office premises were vacated, some of the furniture apparently was left in the building and the disposition of these items, a conference table and twenty chairs, was not documented.

The second organization, an established public interest group associated with a foundation, received \$38,000 from the Commission for research and other expenses involved with presentations at the hearings. Examination of the accounting records indicated generally that the funds had been used for the purposes for which they had been provided. However, the audit trail would have been improved if the receipts and disbursements relative to the funds had been segregated in the accounting records.

Our recommendations with respect to public funding were:

1. Funded participants should be required to submit periodic statements setting out the details of the disposition of the funds. The statements should be compared to the approved budget and any significant variations investigated.
2. The Commission should inform recipients that accounting records are to be available for verification that the funds have been used for the intended purposes.

Office and Administrative

A significant proportion of the expense for printing and duplicating was incurred through arrangements with private sector firms on a direct order basis:

	\$
Private sector orders	82,762
Office copy facilities	24,796
Printing Services, Ministry of Government Services	12,264
Funding of newsletter	6,433
	<u>126,255</u>

The orders placed with private sector firms were mainly for the production of issue papers, research reports and other informative publications. Much of this work was of a duplicating and collating nature and the exclusive use of outside firms on a direct order basis would seem to be at variance with the policy expressed by the Ontario Manual of Administration, section 45.7, which reads in part:

"The Government Duplicating Service is to be the only large duplicating facility serving Ministries operating in the Queen's Park area."

Leasehold improvements upon occupancy were negotiated through the Ministry of Government Services at a cost of \$23,975. However, on two subsequent occasions, alterations to the premises costing \$3,181 and \$4,125 respectively, were made apparently without reference to the Ministry of Government Services and without formal tender procedures. Since the Ministry of Government Services was party to the lease, it would seem that any substantial alterations should have been negotiated by the Ministry.

Expenditure for data processing services included \$21,850 as the Commission's share of a data storage and retrieval services project undertaken jointly with the Ministry of Government Services. One of the goals of the project was to develop a system whereby the reporting of hearings and other proceedings could be inputted directly to a computer storage facility. For technical and other reasons this aspect of the project was not successful.

The foregoing comments were included in a memorandum dated September 28, 1978. The Policy Secretariat has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

70. Ontario Home Buyers' Grants, Ministry of Revenue. The Ontario Home Buyers Grant Act, 1975 which came into force on April 8, 1975, together with the Ontario Regulations made thereunder, provides for the payment of grants to first-time home buyers. The maximum grant of \$1,500 is payable in three instalments, each on the application of the home buyer; \$1,000 upon approval of the original application following occupancy of the housing unit and \$250 on each of the first and second anniversary of the date of approval. An application for a grant must be accompanied by copies of the agreement of purchase and where applicable, the registered deed to the property. However, other critical information required on the application, such as whether it is a first-time home to be used as a principal residence and the date residency commenced, usually cannot be supported by independent documentation; therefore, reliance is placed to a great extent on the integrity of the applicant in submitting correct information.

Funds for the payment of these grants were appropriated by the Legislature under the Home Buyers' Grant Program of the Ministry of Housing. During the period from inception of the program to March 31, 1978 a total of \$126,763,685 in grants were paid to approximately 86,300 applicants.

The administration of this grant system was carried out by the Ministry of Revenue with the total grant expenditure being transferred by journal entry to the Ministry of Housing. Applications were reviewed by the Operations Section of the Guaranteed Income and Tax Credit Branch and the applicants were contacted if the information on the applications was incomplete or unclear. Doubtful cases were referred to the Benefits Control Section of the Branch for pre-audit and, if necessary, field investigation.

The Standing Public Accounts Committee, in its report of December 1976, recommended that the Ministry of Revenue undertake a complete audit of all first-time Home Buyers' Grants and recover all payments made either in error or illegally. A report prepared by the Benefits Control Section on audits and recoveries to March 29, 1978 stated that field audits had been completed on 37,147 grant payments out of a total of approximately 86,300. As a result of the files rejected during these audits, accounts totalling \$3,679,500 were referred to the Operations Section for collection. It was also reported by the Ministry that the rejection rates had been 13.1 per cent on the earliest audits (high risk cases) and 1.6 per cent on the latest audits (low risk cases). The cases remaining to be audited are considered in the low risk category and it is, therefore, expected that future rejection rates will be well below the average experienced to date.

The report of the Benefits Control Section also disclosed that recoveries to March 29, 1978 totalled \$1,743,907, leaving a balance of \$1,935,593 receivable from approximately 2,000 applicants at that date. Our examination of the accounts receivable records indicated that, for various reasons, no payments had been received during the period January 1, 1977 to January 31, 1978 on 240 accounts totalling \$257,759. However, security for repayment was being enforced by the issuance of writs against the properties of many of the applicants concerned.

On September 5, 1978 the Deputy Minister commented as follows:

"In order to maximize the effectiveness of the audit program for Ontario Home Buyers Grants, both a field audit and a desk audit routine were utilized. 3,200 files were examined on a desk audit basis at various stages of the program and subsequently a total of 38,409 field audits were conducted between the commencement of the program and March 31, 1978. Various criteria were used in both the field and desk portions of the audit program. The objective was to audit those files where we perceived the maximum possibility of error. The earliest audits yielded a 13.1% rejection rate. The rate steadily dwindled until it fell to 1.6% in the audits being performed at the end of the fiscal year. We are confident that the audit program revealed all of the flagrant abuses and in fact the remaining audits would not be expected to yield a rejection rate in excess of 1.6%. Based on this rate, the cost of identifying and collecting any overpaid grants in the files not subjected to post audit would be far in excess of any returns to the Crown."

71. Apparent Under Utilization of Motor Vehicles, Ontario Police Commission, Ministry of the Solicitor General. As at September 30, 1977 the Ontario Police Commission operated fifteen government-owned vehicles. The Chairman of the Commission has stated that these vehicles are required by the staff for extensive travel throughout the Province.

Expense accounts submitted by Commission staff for the six-month period ending September 30, 1977 included parking costs in Toronto totalling \$859. This charge related mainly to the parking costs for ten of the Commission's vehicles. If it can be assumed that a parking charge of \$1.50 per day denotes no use for government purposes during that day, then the average idle time is calculated to be 57 days or 46 per cent per vehicle over the six-month period. We recommended that this matter be reviewed to determine if the number of vehicles in service could be reduced.

Mileage figures supplied by the Ontario Police Commission showed that one of these vehicles, assigned to an advisor to the Commission, travelled approximately 18,000 miles during the seven months ended October 31, 1977. According to the advisor's travel accounts for the period, only 700 miles were driven on government business. The use of this vehicle was reported on by the Internal Audit Branch in a memorandum dated May 3, 1977, which also indicated little use on government business. We recommended that the need for this vehicle be reviewed.

On June 20, 1978 the Ministry commented as follows:

"The recommendation regarding the number of vehicles in the Ontario Police Commission has been reviewed and action taken. The fleet of fifteen vehicles has now been reduced to thirteen. Also, the comment regarding need for the vehicle assigned to one of the Commission Advisors is now under review. The Commission will continually monitor vehicle usage."

72. Authority for Certain Costs Questioned, Ontario Police Commission, Ministry of the Solicitor General. The Director of the Ontario Police College has been granted the authority by Orders in Council 1113/74 and 81/76 to engage police officers as instructors, subject to certain conditions. These police officers, from various municipal police forces, are to be paid their regular salaries and the municipalities are to be reimbursed by the Ministry for the amount of the salaries and other benefits. In addition, a supplementary fee of \$200 per month and certain expenses are to be paid to these police officers during the period of their assignment.

The contracts and expenses of two officers from regional municipal police forces, hired for the period November 29, 1976 to December 31, 1977, were reviewed. It was noted that the contracts referred to Order in Council 1113/74, although at that time it had been revoked and replaced by Order in Council 81/76 with slightly different provisions. The expense claims submitted by these officers were almost entirely for accommodation and mileage charges in connection with their duties at the Ontario Police Commission offices in Toronto. It was not evident that they served as instructors at the Ontario Police College. The salaries and costs of maintaining these officers in Toronto together with supplementary fees of \$200 per month, and travelling expenses relating to an instructional course in the United Kingdom amounted to \$62,863. These costs do not appear to qualify for payment under the terms of Order in Council 81/76.

Included in the above amount was \$400 in supplementary fees paid to one of the officers for the months of July and August 1977 although it was understood that he was not in attendance between July 9 and September 4, 1977. We suggested that this payment be reviewed, and recovery action taken if warranted.

The Ministry wrote to us on June 20, 1978 to advise that:

"The comments made on the secondment of the two regional police officers for the development of Ontario Police College Training Courses is noted and will be considered in the future if the matter should arise."

73. Improved Payment Procedures Recommended, Ministry of the Solicitor General. We noted that payments had been authorized by the Financial Services Branch to three suppliers without proper evidence from the Quartermaster Stores Branch that the goods had been received. Such a payment to one supplier amounted to \$73,295 and was made on December 8, 1977 and the total of such payments to another supplier reached \$128,299 on October 5, 1977. Since suppliers should not be paid without proof of receipt of goods or services, we recom-

mended that receiving procedures be strengthened so that receiving documents are promptly available for invoice processing.

An agreement was signed with a film producer on March 10, 1977 for the production of a film on Indian Policing. Payment in full, amounting to \$47,000 was made on March 22, 1977 in accordance with the terms of this contract. The filming was to be done during the spring and summer of 1977 with completion expected in September 1977. We commented that, in our opinion, it was not good practice to make full payment before goods have been received. In addition, we felt that this payment was improperly made from the Ministry's 1976-77 expenditure appropriations since the goods were not received until the following fiscal year.

The Ministry subsequently advised that:

"The amounts of \$73,295 and \$128,299 comprise interim payments made to two suppliers;

"Such payments were initiated in response to vigorous demands by the firms concerned to effect payment for goods delivered to Quartermaster Stores pending receipt of proper receiving documents from that Branch which were delayed as a result of internal staff problems at that time. It should be noted that such payments were based solely on the quantities acknowledged as received by the Stores pending formal validation of the invoices. All such payments are now fully validated by the proper receiving documents and the deficiencies at Quartermaster Stores appear to have been corrected.

"It is felt that our suppliers should not be subjected to undue hardship because of internal Ministry problems.

"It is agreed that some holdback should have been negotiated. To prevent this happening again, Ministry policy now requires any such agreements, contracts, etc. to be reviewed by staff of the Financial Services Branch and the Legal Services Branch prior to signature.

"The payment was made, however, in accordance with the terms of the contract and cannot be construed as improper."

74. Recommendation Re Ontario Police College Library Fund, Ministry of the Solicitor General. In December 1974, the Richard Ivey Foundation advised the Ontario Police Commission that a \$100,000 grant had been authorized for the acquisition of books and journals for the library of the new Ontario Police College at Aylmer. It was agreed that the fund would be administered by the Ontario Police Commission and designated as the Ontario Police College Library Trust. The first instalment of the grant, in the amount of \$50,000, was received on June 12, 1975 and the remainder of the award, in a similar amount, was received on January 6, 1976. The residual balance of this grant amounted to \$84,746 at September 30, 1977 and consisted of two term deposits totalling \$84,000 and funds of \$746 held in a current bank account.

The prior audit memorandum, as covered in section 121 of our 1975-76 Report to the Legislative Assembly, indicated that this fund should be transferred to the Consolidated Revenue Fund and designated as a special trust account. This audit observation was subsequently supported by an opinion set out by the Legal Branch of the Ministry which stated, in part, that:

"... such a transfer is necessary in order to conform with the provisions of section 11 of The Financial Administration Act."

It was noted that no action had yet been taken to transfer the Ontario Police College Library Trust to the Consolidated Revenue Fund.

The Ministry replied as follows:

"This matter has been discussed with the Ontario Police Commission.

"The Transfer of the Ontario Police College Library Fund to the Consolidated Revenue Fund is now under active consideration and the Commission is discussing the proposed transfer with the Richard Ivey Foundation. The Commission has also voiced concern over the control of the fund. The Commission has been assured that the transfer of the fund to the Consolidated Revenue Fund will in no way jeopardize the Commission's control of the fund. The trust fund will be separately identified, earn interest at a reasonable rate and all expenditures from the fund will be subjected to formal Ministry accounting and purchase controls."

75. Sales of Surplus Properties, Ministry of Transportation and Communications.

During the course of an audit of Ministry revenue, the following observations were made from a review of property files:

- A property, consisting of approximately eleven acres of vacant land, was appraised at \$1,252,130 but sold in October 1977 for \$1,104,151 to a development company which owned the adjacent property. As far as can be determined, the reason for selling the land at the reduced value was due to restricted access to the property available only to the adjacent property owner. It was not clear whether this was a valid enough reason for the property being sold for \$147,979 less than its appraised value.
- On March 10, 1976 a parcel of vacant land was sold by public auction for \$300,100. The land was appraised using an acreage rate to set the sale price. An error in the acreage sold was discovered during the preparation of a subsequent plan. As a result, it was found that the sale price had been understated by approximately \$87,000. The purchaser was approached but declined to pay this additional sum. The Ministry's legal position confirmed that there was no basis for demanding an amount beyond the agreed sale price. The Ministry had always considered its plan preparation and checking procedures to be of a high standard. However, because of the significance of the above-noted error, an independent check was implemented to reduce the chances of any recurrence.

- In late 1975 and early 1976 the Ministry acquired two properties at a total cost of \$120,125. The properties were declared surplus to the requirements of the Ministry. Another Ontario Government ministry expressed an interest in occupying the properties. However, it was not until March 1977 that the latter ministry advised that it did not require the subject properties. During the intervening period, as the properties remained unoccupied, very considerable damage was done by vandals. It was, therefore, determined to sell both properties. Consequently, in September 1977 the properties were sold at a public auction for \$54,500.

We felt that concerted efforts should have been made to obtain a firm commitment, at an early date, from the ministry which had expressed an interest in renting the properties. Action could then have been taken to rent the properties to other parties immediately after being notified that the ministry was not interested. Immediate occupancy would have discouraged vandalism and minimized deterioration of the properties through disuse.

- A property, consisting of approximately sixteen acres of vacant land, was sold in August 1977 for \$106,000, based on appraisals made in October 1975. There was no evidence that an updated appraisal was obtained at the time of sale.

A review of reports issued by the Ministry's internal auditors revealed comments regarding delays in disposing of surplus properties. During a visit to the Eastern Region, the internal auditors noted that the Ministry had made considerable investment in property for a new highway in the Ottawa area and suggested that disposal of known surplus properties be considered, since construction of the highway had been postponed indefinitely. Their report on the South Western Region mentioned that there was no clear documentation on property files to establish whether properties were surplus or required for future use.

The foregoing comments were included in a memorandum dated September 29, 1978, the date of this Report. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the matters raised.

76. Deficiencies in Internal Control Relating to Accounts Receivable, Ministry of Transportation and Communications. A review of accounts receivable at February 28, 1978, totalling \$5,522,286, indicated certain deficiencies in the Ministry's system of internal control. The following observations were made in respect of these deficiencies:

- In a report submitted on February 8, 1977, the Ministry's internal auditors commented that no aging of accounts receivable had been performed for several years. There was no evidence of efforts having been made during the current audit to rectify this deficiency.
- It was noted that one hundred and twenty-seven accounts, aggregating approximately \$2,900,000, had been outstanding over ninety days. Of

these accounts, fifty-eight balances, totalling approximately \$533,000, had been outstanding since our previous review at June 30, 1976.

In one instance, an agreement was made with a development company in 1973 setting out the estimated cost of the work as \$50,000. Clause 10 of the agreement stated that \$50,000 was an estimate only, and that payment would be made on the basis of the actual cost incurred. A final cost was established at \$131,933, including Ministry overhead and surcharges. This was invoiced to the company on March 5, 1976, and at the date of our review only \$50,000 of it had been paid. In view of the terms of the agreement we recommended that efforts be made to collect the balance of \$81,933.

Comment was made in section 122 of our 1975-76 Report regarding another account for \$53,789, outstanding since December 1972. This account was included in a list of balances recommended for write-off in September 1976. A review by internal auditors, however, indicated that a clear and definite reason for non-recovery had not been established and suggested that further action on this claim be undertaken.

- In their report of February 8, 1977, the internal auditors also pointed out that the Central Collection Services, an agency of the Ministry of Government Services, was not being fully utilized by the Ministry. A visit to the agency during the current audit, and discussions with its officials, confirmed that the situation had not improved.

The preceding comments were transmitted to the Ministry on September 29, 1978, the date of this Report. Since the Ministry has not had an opportunity to respond, we are unable to present its views on the subject matter.

77. Improved Cost Controls Recommended Re Consulting Contracts, Ministry of Transportation and Communications. The agreements with five technical consultants and the related billings for work performed for the Ministry were reviewed. The consultants were hired on a cost plus basis and the amounts paid to them totalled \$2,582,205 in the 1976-77 fiscal year and \$862,269 in the period April 1 to September 30, 1977. We noted that two of the five consultants revised employee salaries once per year, two revised employee salaries twice per year and one revised employee salaries monthly. We were of the opinion that better cost control could be achieved by the Ministry, in future agreements, by fixing the salary rates charged by the consultants in the initial period of each agreement and imposing limits on rate increases for subsequent periods.

The following comments were received from the Ministry on May 17, 1978:

"The Ministry does not feel that it should attempt to freeze the salary of consultant's staff for the duration of any one assignment, particularly when that assignment could be ongoing for several years depending on its complexity. It would also be unfair to the consultant, due to the present rates of inflation. The Ministry does keep a watching brief on the salary rates charged by consultants and if any one consultant becomes

out of line with Ministry staff salaries or other consultants, it is brought to the attention of the consultant and, if deemed advisable to do so, the Ministry ceases to assign further work to that firm."

78. Observations and Recommendations Re the Ontario Youth Employment Program, 1977, Ministry of Treasury, Economics and Intergovernmental Affairs.

As at February 28, 1978 approximately \$9,440,000 had been expended under the Ontario Youth Employment Program, 1977. During the year, we completed an audit of the expenditure related to this program, and the following comments were included in a memorandum sent to the Ministry on May 15, 1978. Relevant portions of the Ministry's reply, which was dated June 23, 1978, are included after the recommendations to which they pertain.

Introduction and Objectives of the Program

The Ontario Youth Employment Program was established by The Ontario Youth Employment Act, 1977, which came into force on April 19, 1977. The objectives of the program were to encourage the farming and business communities in Ontario to achieve increased employment of youth by creating new summer job opportunities and to provide young people with work experience and skills that better equip them for full-time participation in the labour market.

Administrative Guidelines

The administrative guidelines for the 1977 program were contained in Ontario Regulation 514/77, and included the following:

1. The program would commence on May 30, 1977 and terminate September 16, 1977.
2. The approval process for applications from eligible employers may take into consideration:
 - (a) whether the employee would be provided with work experience or skills to better equip him for full-time participation in the labour market,
 - (b) the length of employment offered with a view to maximizing the opportunity for the employee to acquire work experience or skills,
 - (c) the equitable distribution of funds in all areas of Ontario and between farms and other businesses in each area, and
 - (d) the availability of funds.
3. The program would select young people:
 - (a) who were resident and eligible to work in Ontario,
 - (b) between the ages of 15 and 24, inclusive, as at the commencement of the program, and
 - (c) who were not related to the employer within the meaning of the Act.

4. The employer should receive a grant amounting to \$1 an hour for each hour that an eligible employee has worked and been paid by the employer during the period of eligibility, but the grant should not exceed \$40 per week for each employee nor be paid in respect of more than six employees at each work site.
5. Applications, personnel data, and claims were to be submitted in the forms provided by the Ministry. The deadline for the receipt of claims was December 31, 1977.

Transfer Payments

According to statistics provided by the Ministry, more than 23,000 applications were received from employers of which 19,687 were approved. The approved applications represented nearly 35,500 positions. Approximately 15,700 employers actually participated in the program and over 26,500 positions were filled.

As part of our audit examination we reviewed 475 employer files representing grants totalling \$350,597. While this type of examination cannot be considered conclusive in several aspects without inspection of the employers' records, we presented our observations in the belief that they indicated weaknesses in the design and administration of the program.

1. There were 30 overpayments totalling \$3,729 in the sample. Of these, five totalling \$742 had already been reported by the Ministry's inspection audit staff. While some overpayments resulted from arithmetical errors, others were adjudged to be incorrect only after consideration of the employment data recorded on the claim forms.
2. Our examination of the files also revealed 15 cases totalling \$3,718 which apparently were underpayments.

Ministry reply:

"It should be pointed out that these underpayments were brought to light as a result of Ministry field audits. It was not possible for the administrative staff to know of these underpayments at the time of the claims processing."

3. Eligible employers, as defined in section 1(b) of the Act, do not include municipalities or persons who have not been actively engaged in business or farming in Ontario for at least one year prior to commencement of the program. In addition to the overpayments referred to in (1) above, a grant of \$828 was paid to a municipality and grants of \$726 and \$320 paid to employers who had indicated that they had been in business for less than a year.

Ministry reply:

"The application received from the municipality was approved in error and it was felt that the claim had to be honoured."

"With respect to the 'business for less than a year' criterion,

although the administrative requirements were relaxed somewhat, the procedure was to clarify the matter with the employer and prepare a note to file. This record to file apparently was not done in these two instances.

"The Ministry has taken steps in respect of the 1978 program to eliminate these areas of concern."

4. Section 4 of the Act specifies that employment created under the program should be in addition to that normally provided by an employer. From the information provided on the application forms, we noted 19 instances where available information suggested that the jobs would have existed without program funding and thereby would not qualify under the terms of the legislation. Although the employers' files did not so indicate, we were informed by Ministry officials that all applications of this nature had been carefully reviewed prior to approval.

Ministry reply:

"This question on the application form referred to by the auditor engendered a great deal of confusion in the minds of applicants and many answered it incorrectly. Standard procedure was to clarify the matter with the employer and prepare a note to file. Notes to file were apparently not prepared in these cases.

"Under the 1978 program, this question has been eliminated and a statement has been incorporated into the declaration."

5. Pursuant to section 3.1 of Ontario Regulation 514/77, members of certain professions are not eligible to apply for the grant in respect of students engaged in training for the professions. Twelve instances were observed where grants totalling \$9,264 had been paid to members of the professions who had hired students. Although the employers' files did not so indicate, we were informed by Ministry officials that the applications had been approved only when it had been established that the students were not fulfilling the articling or other training requirements for admission to their respective professions but were employed in some other capacity.
6. Section 8(3) of Ontario Regulation 514/77 stipulates that a claim for a grant must have been received by the Minister by December 31, 1977. Grants totalling \$3,413 were paid to three employers although the claims apparently had been received by the Ministry after December 31. In addition, a number of claims processed for payment after December 31 did not bear the Ministry date of receipt.

Ministry reply:

"The nature of the program and the fact that it was newly introduced led to the decision that compliance with the deadline date be flexible. It was determined that, where some contact occurred before that date and where it appeared that the branch was partly responsible for the late filing, the claims be processed.

Although a deadline extension was considered, it was determined that there was no real need for it."

A list of the files referred to in the preceding paragraphs was given to the Ministry.

Forms Provided by the Ministry

Ontario Regulation 514/77 named the forms which were to be submitted by employers. These were the application, a personal data form for each employee, and the claim for payment of the grant.

In our opinion, the application and claim forms, as designed, did not present the information required for the administration of the program in a clear and accurate fashion. Employers were required to indicate on the application form whether or not they usually hired full-time summer help. However, they were not required to state the number usually hired or to specifically declare that the employees hired under the program would be additional to normal full-time and summer help. Thus we found it difficult to establish that the employment proposed was, in fact, eligible. From the information presented on the claim forms, it was often difficult to determine the actual number of hours worked by the employees.

Ministry reply:

"The deficiencies in the forms for 1977 were recognized and the 1978 forms have been changed substantially in order to eliminate these deficiencies."

Upon approval of an application, the Ministry requested that the employer have each youth complete the employee personal data form and return two copies of the form to the Ministry immediately. However, many of the employers did not return the personal data forms until such time as the claim forms were submitted. As a result, some claims had to be rejected because employees were not eligible for age or other reasons. As indicated previously, the regulation specified that the young persons should be at least 15 years of age at the commencement of the program (May 30, 1977). In seventeen cases, where the young person was not 15 years old on May 30 but was 15 at the time of hiring, the Minister ruled that they should be considered eligible.

Ministry reply:

"The personal data form has been eliminated for the 1978 program. Youth information this year has been incorporated into the claim form. The program criteria relating to eligible employees have this year been clearly outlined in the application."

"The Minister's ruling concerning the age criterion resulted from the confusion in the minds of some employers regarding the eligibility date and the fact that certain employers were misinformed by some Canada Manpower Offices."

Inspection Audits

Section 6 of the Act permits the inspection of employers' records by Ministry

personnel to ensure that the provisions of the Act and the regulations are being complied with.

During the term of the 1977 program, the inspection audit activity was restricted mainly to cases earmarked for investigation during the administrative process. However, commencing October 17, 1977 the Ministry assigned an additional complement of 13 inspection audit staff to review the Ministry's files and examine employers' records. Up to March 31, 1978 the files and records for approximately 1,800 employers had been examined. Preliminary indications were that the findings of this audit activity would reveal a number of overpayments and underpayments. However, at the time of our audit, the Ministry was in the process of reviewing and assessing the results, and was not prepared to make available any statistics or to indicate the extent of further action to be taken.

General Recommendations

We understood that this program may be continued in future years and, with that possibility in mind, the following comments were submitted for consideration.

1. The design of the forms provided by the Ministry should be revised with a view to ensuring that the terms and conditions of the program are clearly indicated to the employer and so that the grant may be accurately calculated from the employment detail included on the forms.

Ministry reply:

"The forms for the 1978 program have been re-designed to ensure simplicity, clarification of program details, and ease of calculation."

2. We recommended that the administrative procedures involved with the processing of the documents leading to the payment of grants be reviewed with a view to minimizing the incidence of errors and facilitating the flow of files in a controlled fashion.

Ministry reply:

"In designing the 1978 program, the administrative procedures were reviewed and altered to ensure more information, better control and accuracy with speedy turn-around."

3. We recommended that surveys and studies to validate the effectiveness of the program be continued with particular attention to establishing that:
 - (a) the jobs are, in fact, additional to normal regular and summer employment, and
 - (b) the work experience and skills are of the calibre required to equip young people for full-time participation in the labour market.

Ministry reply:

"(a) While the results of whatever measure employed to ensure

that jobs are additional will not be conclusive, serious consideration is being given to developing appropriate means for determining to what extent this objective is being met.

“(b) The evaluation of the calibre of the work experience and skills acquired by young people in the course of their employment under the program can be approached through the subjective appraisal of employees’ perceptions of their employment experience as was done in the 1977 telephone survey. It is our contention that any work experience is desirable for young people providing it takes place within a responsible atmosphere. However, it may be desirable to examine whether the jobs being provided are in areas of perceived skill shortages.”

79. Observations Re Grant Payments, Ministry of Treasury, Economics and Inter-governmental Affairs. Ontario Regulation 718/75 and 251/76 made under The Ontario Unconditional Grants Act, 1975 provide in section 12 that, “The Minister may in any year make interim payments to each municipality not exceeding 50 per cent of the total grants to each municipality under the Act in the preceding year”. Interim payments relating to 1975 and 1976 per capita grants for general and policing purposes were made in April and May 1975 and in April and June 1976, respectively. The former payments were charged to the applicable 1975-76 appropriation while the latter payments were charged to the 1976-77 appropriation.

Interim payments totalling \$69,103,415 towards the 1977 per capita grants were made in March 1977 and were also charged to the 1976-77 appropriation. This appropriation had been increased by \$68,350,000 under the authority of a Management Board Order dated March 22, 1977.

By utilizing the Management Board Order process, the Ministry effectively transferred \$69,103,415 of expenditure from the 1977-78 fiscal year to the 1976-77 fiscal year. We questioned the purpose and propriety of this action.

We also observed that the per capita density grants for 1977, totalling \$5,529,709, were paid in full on June 13, 1977. The Ontario Unconditional Grants Amendment Act, 1977, authorizing these payments did not however, come into force until June 30, 1977, with retroactive application to January 1, 1977.

Similarly, it was noted that the final payments of certain 1977 grants were made prior to the filing date, September 26, 1977, of Ontario Regulation 695/77 made under The Ontario Unconditional Grants Act, 1975. The Regulation was, however, effective retroactively to January 1, 1977. The payments were as follows:

<u>1977</u>		<u>\$</u>
June 3	Special grant to a mining municipality	15,762
September 13	Resource equalization grants	22,361,450
September 13	General support grants	15,697,367
September 13	Northern Ontario support grants	10,143,765
September 16	General support grants	43,286
September 16	Northern Ontario support grants	146,720
		<u>48,408,350</u>

We commented that, in our opinion, grants should not be paid prior to the filing date of the regulations authorizing such payments.

The following comments were included in the Ministry's reply dated March 30, 1978:

"The observation that expenditures were transferred from the 1977-78 fiscal year to the 1976-77 fiscal year is irrelevant. The payments, calculated in accordance with the regulations, were made in March, 1977, and as such were legitimate expenditures of the 1976-77 fiscal year. The audit observation implies that the payments should not have been made until April/May 1977. This implication is incorrect as the timing of the interim payments is not related to the government's fiscal year end but to the municipalities' calendar year."

and

"The Ontario Unconditional Grants Amendment Act, 1977, Section 13, states: 'This Act shall be deemed to have come into force on the 1st day of January 1977'. Accordingly, notwithstanding the date the bill received Royal assent, any act taken under it was taken as if the legislation was then in force. The payment of the per capita density grants on June 13, 1977, was therefore in order."

and

"Ontario Regulation 695/77 was deemed to have come into force on January 1, 1977. Accordingly, notwithstanding its filing date, any act taken under the Regulation was taken as if it was then in force. The above payments were therefore in order."

80. Expenditure of Royal Commissions. Royal Commissions are defined in the Ontario Manual of Administration as investigatory bodies appointed by Order in Council under the power of The Public Inquiries Act. During the year ended March 31, 1978 expenditure was incurred in respect of 16 Royal Commissions. Expenditure detail, which is reflected in Volume 3 of the 1977-78 Public Accounts for most of these Commissions, may be summarized as follows:

<i>Subject Matter</i>	<i>Date Established</i>	<i>Status at March 31, 1978</i>	<i>Expenditure 1977-78</i>	<i>Cumulative Expenditure to March 31, 1978</i>
			\$	\$
Health and Safety of Workers in Mines	Sept 10/74	Completed	16	496,014
Metropolitan Toronto	Sept 10/74	Completed	133,325	1,079,099
Toronto Jail and Custodial Services	Oct 9/74	Completed	86,032	857,679
Electric Power Planning	July 17/75	In Process	1,301,061	3,192,546
Violence in the Communications Industry	May 7/75	Completed	453,545	2,223,326
Algoma University College	Mar 10/76	Completed	66,171	235,050
Acquisition by the Ministry of Housing of Certain Lands in the Community of North Pickering	Oct 26/76	Completed	81,316	142,375
Freedom of Information and Individual Privacy	Mar 30/77	In Process	329,241	329,241
Aluminum Wiring	Apr 6/77	In Process	263,607	263,607
Ronto Development Company	Apr 20/77	Completed	52,242	52,242
Status of Pensions	Apr 20/77	In Process	166,287	166,287
Waste Management Inc.	May 15/77	Completed	145,687	145,687
Northern Environment	July 13/77	In Process	1,476,356	1,476,356
Hamilton-Wentworth	Sept 14/77	In Process	337,797	337,797
Waterloo Region	Sept 14/77	In Process	79,204	79,204
Confidentiality of Health Records	Dec 21/77	In Process	74,127	74,127
			<u>5,046,014</u>	<u>11,150,637</u>

81. Expenditure of Select Committees. Select Committees are appointed by order of the House to consider matters upon which the House desires information and assistance. During the year ended March 31, 1978 expenditure was incurred in respect of 6 Select Committees. Expenditure detail is reflected in Volume 3 (Office of the Assembly) of the 1977-78 Public Accounts, and may be summarized as follows:

<i>Subject Matter</i>	<i>Date Ordered</i>	<i>Status at March 31, 1978</i>	<i>Expenditure 1977-78</i>	<i>Cumulative Expenditure to March 31, 1978</i>
			\$	\$
The Corporations Act of the Province of Ontario and related Acts and Regulations ..	June 22/65	In process	371,875	1,580,031
Report of the Ombudsman	Oct 29/75	In process	98,325	161,716
Highway Transportation of Goods	May 25/76	Completed	39,137	275,866
Highway Safety	May 25/76	Completed	85,388	356,706
Inco and Falconbridge Layoffs ..	Nov 10/77	Completed	118,164	118,164
Ontario Hydro Affairs	Nov 24/77	In process	83,047	83,047
			<u>795,936</u>	<u>2,575,530</u>

In connection with expenditures of the first Select Committee cited above, it should be noted that on July 12, 1977 it was ordered that a Select Committee of the Legislature be appointed to continue the enquiry and review of the law affecting the Corporations in the Province as reported on by the Select Committee of the House appointed on June 22, 1965 and re-appointed on July 8, 1966, July 23, 1968, December 17, 1971 and May 25, 1976 and to, in particular, inquire into and review the law relating to the business of insurance companies in the Province. Expenditure related thereto is included in the foregoing \$371,875.

82. Write Off of Uncollectable Accounts. Section 14 of The Financial Administration Act reads as follows:

"14.—(1) Where a person has an obligation or debt due to the Crown or the Crown has a claim against a person, the Treasurer may, subject to any other Act affecting such obligation, debt or claim, negotiate and accept a settlement in payment and satisfaction of such obligation, debt or claim, or may determine that any such obligation, debt or claim is uncollectable.

(2) The Lieutenant Governor in Council, on the recommendation of the Treasurer, may, if he considers it in the public interest, delete from the accounts any loss incurred in any settlement or determination made under subsection 1. . . .

(3) The losses deleted from the accounts during any fiscal year shall be reported in the Public Accounts for that year. . . ."

During the 1977-78 fiscal year 24 Orders in Council were passed authorizing the deletion of losses from the accounts. Deleted losses totalled \$23,502,201 and are summarized by Ministry on page 77 of Volume 1 of the Public Accounts. The following additional comment is provided for some of the larger write-offs.

The Ministry of Health wrote off a total of \$14,317,637 in respect of charges made in accordance with The Mental Hospitals Act for patients' maintenance and miscellaneous fees. These charges pertained to 14,416 accounts from 1930 to 1972 which remained uncollectable for reasons such as: patients were indigent with no future income except Old Age Security, patients' estates when liquidated were insufficient.

The Ministry of Health also wrote off 1,734 Homes for Special Care accounts totalling \$2,832,905 for residents deceased, discharged or re-admitted to psychiatric hospitals prior to March 31, 1974.

Uncollectable accounts amounting to \$2,555,165 for fines, costs and fees owing to Provincial Courts were written off by the Ministry of the Attorney General.

Over 2,500 accounts totalling \$1,510,263 in respect of various unpaid taxes and overpayments were written off by the Ministry of Revenue. The major portion of this write off pertained to taxes payable under The Retail Sales Tax Act and The Corporations Tax Act, amounting to \$837,499 and \$540,495 respectively.

83. Interim Payment Authority, The Financial Administration Act. Section 26 of The Financial Administration Act reads as follows:

“On the application of a minister, the Treasurer may make interim payments from the Consolidated Revenue Fund for goods or services charged to a department where the charges are to be recovered from another department or departments or from another appropriation or from a federal appropriation.”

Requests for the authority to make payments under section 26 are forwarded to and approved by the Executive Director, Treasury Division, Ministry of Treasury, Economics and Intergovernmental Affairs.

Recoveries relating to payments made under section 26 are to be effected within the fiscal year unless specific approval has been given by the Executive Director to record unrecovered balances as statutory expenditures within the fiscal year. Where this specific approval has been given, amounts outstanding are to be recovered in the following fiscal year and recorded as “Revenue—Recoveries of Prior Years’ Expenditures”.

During the fiscal year 1977-78, according to records maintained in this regard, thirty-seven section 26 approvals totalling \$82,558,728 were given to 10 ministries. Twenty-two of these approvals amounting to \$55,441,000 pertained to charges to be recovered from another ministry or ministries. In this respect, pages 149 and 151 of the 1977-78 Public Accounts indicate unrecovered charges of the Ministry of Government Services of \$139,103 (Government Stationery Account) and \$340,979 (Employee Benefits) respectively, recorded as expenditure of “Statutory Appropriations — The Financial Administration Act”. The approvals for these expenditures under section 26 were \$2,000,000 and \$20,000,000 respectively.

The remaining fifteen approvals totalling \$27,117,728 were given in cases where additional funds were required and

- (a) Supplementary Estimates were pending approval by the Legislature, or
- (b) Management Board Orders were pending to cover appropriation requirements exceeding the Original Estimates, which had not yet been approved by the Legislature.

84. Board of Internal Economy. Section 85 of The Legislative Assembly Act, as amended, reads: “The Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same vote and the Provincial Auditor shall make special mention in his report of any transfer under this section”. In respect of the 1977-78 Expenditure Estimates, the following transfers were made within Vote 201:

\$45,000 from Item 4—Hansard, and \$293,000 from

Item 11—Commission on Election Contributions and Expenses, to

Item 3—Chief Election Officer \$3,000,

Item 5—Sessional Requirements \$20,000,

Item 6—Members’ Indemnities \$220,000,

Item 8—Caucus Support Services \$22,100,

Item 9—Administration \$72,900.

85. Management Board Orders. Section 5 of The Management Board of Cabinet Act, 1971 provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

Eighty-five Management Board Orders were issued in respect of the 1977-78 fiscal year. In total, expenditure of \$173,871,550 was so authorized. The amounts authorized by Management Board Orders averaged approximately \$2,000,000 and ranged from \$6,100 to \$104,877,900. A listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 3 to this Report. A total of 221 items were included in the Management Board Orders and are detailed in the Exhibit.

By way of additional information, the Management Board Orders in respect of the 1977-78 fiscal year have been summarized by month of issue:

<i>Month of Issue</i>	<i>Number</i>	<i>Authorized</i>	<i>%</i>
July 1977	1	\$ 50,000	.03
November 1977	1	227,800	.13
December 1977	1	785,000	.45
January 1978	5	3,024,000	1.74
February 1978	9	4,612,700	2.65
March 1978	29	143,016,450	82.26
April 1978	39	22,155,600	12.74
Total	85	<u>\$173,871,550</u>	<u>100.00</u>

86. Special Warrants. Section 4 of The Management Board of Cabinet Act, 1971 provides for the issue of a Special Warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

Three Special Warrants were issued during the year ended March 31, 1978. The first was approved by Order in Council dated May 15, 1977 authorizing payments of \$600,000 for the purpose of providing insurance of the full amount of the deposit and down payments of condominium purchasers who were either not previously covered or only partially covered by insurance under the HUDAC New Home Warranty Plan. The full amount of \$600,000 was expended.

The second Special Warrant was approved by Order in Council dated May 19, 1977 and authorized that the sum of \$5,000,000 "be issued in favour of the Honourable the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs, to be placed by him to a special account against which cheques may be issued for the purpose of providing for the funding of the Ontario Youth Employment Program". However, as a result of the passage of The Ontario Youth Employment Act, 1977 which became effective April 19, 1977, the sum authorized by the Special Warrant was not utilized.

The third Special Warrant was approved by Order in Council dated May 29, 1977 and authorized that the sum of \$500,000 "be issued in favour of the Honourable the Treasurer of Ontario and Minister of Economics and Intergovernmental Affairs to be placed by him to a special account against which cheques may be issued for the purpose of providing immediate assistance to the Town of Cobalt, for the restoration of services, clean up, and immediate relief for community residents, resulting from the recent fire disaster in this community". The full amount of \$500,000 was expended.

COMMENTS ON CROWN AGENCY TRANSACTIONS

87. Introductory Comments. The term Crown Agency for purposes of this segment of the Report includes Boards, Commissions, Crown Corporations and other operations which are audited by the Provincial Auditor on an annual basis. Also included are similar agencies audited by public accountants subject to direction or review by the Provincial Auditor. A listing of the Agencies involved for the year ended March 31, 1978 is included as Exhibit 7 to this Report. The audits of the various Agencies were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as were considered necessary in the circumstances.

Excluded from this segment of the Report are Crown Agencies which are audited by public accountants without any involvement by the Provincial Auditor. Agencies included in this category have been noted in section 2 of this Report.

It should be noted that, for the year ending March 31, 1979, the situation covered in the above paragraph regarding the exclusion of certain Crown Agencies will no longer exist, as a result of provisions contained in The Audit Act, 1977. See section 4 of this Report for further comment on this subject.

88. Inactive Crown Agencies. Three agencies were inactive as at March 31, 1977 and were commented upon in our 1976-77 Report (section 108). These agencies remained inactive as at March 31, 1978. The following comments are pertinent thereto:

ONTARIO DEPOSIT INSURANCE CORPORATION—The Minister of Consumer and Commercial Relations wrote on June 22, 1978 to advise:

"... it appears that the necessity for maintaining the Ontario Corporation, albeit on an inactive basis, has now passed and we might proceed to repeal this Act.

"There is, however, one important provision in The Ontario Deposit Insurance Corporation Act and that is the requirement that all loan and trust corporations in Ontario have deposit insurance. Since we are in the process of developing and preparing a new Loan and Trust Corporations Act for the Province of Ontario arising out of the Select Committee's Report on the subject, these provisions will be included in the new legislation. It will, however, be at least a year before full discussion has ensued in connection with the new legislation, particularly in consequence to the new Bank Act of Canada.

"I would think, however, that when Ontario does proceed with its new Loan and Trust Corporations Act, we can then repeal and dispense with the Ontario Deposit Insurance Corporation."

THE SHERIDAN PARK CORPORATION—On June 9, 1978 the Executive Director, Administration Division, Ministry of Industry and Tourism advised:

"We have received a copy of Cabinet Minute #17-14/78 stating that the Sheridan Park Corporation Repeal Act is scheduled for enactment by the end of the Fall (1978) sittings."

THE ONTARIO TELEPHONE DEVELOPMENT CORPORATION—In a letter dated June 7, 1978 the Deputy Minister of Transportation and Communications stated:

"... the Ontario Telephone Development Corporation was recently re-activated to effect the acquisition and sale of an independent telephone company which is in serious financial difficulty."

To expand on the foregoing, by Order in Council 475/78 dated February 16, 1978, approval was given for the expenditure by the Province of an amount up to but not exceeding \$50,000 for the purpose of restoring telephone service on an interim emergency basis in the areas served by The Muskoka and Parry Sound Telephone Co., Limited. To March 31, 1978, approximately \$43,400 had been expended in this regard.

Subsequently, The Muskoka and Parry Sound Telephone Co., Limited Acquisition Act, 1978 came into force on June 20, 1978. Under this Act, the assets and facilities of this company were vested in The Ontario Telephone Development Corporation, together with possession, management and control of the company. The Act also made provision for the payment of compensation for the assets and facilities of the company.

Accordingly, The Ontario Telephone Development Corporation was reactivated by the appointment of a board of three members for the period June 1, 1978 to May 31, 1979.

In introducing the preceding Act to the Legislature on June 2, 1978, the Minister of Transportation and Communications stated that The Ontario Telephone Development Corporation would "operate and maintain the telephone system only until such time as the assets can be sold by public tender to a company or companies which have proven competence in the operation and management of a telephone system."

89. Newly Established Crown Agency. The Farm Income Stabilization Commission of Ontario was established as a corporation without share capital pursuant to the terms of The Farm Income Stabilization Act, 1976, which came into force on April 4, 1977. The functions of the Commission include the administration of plans of farm income stabilization, and the provision for surveys and research relating to farm income stabilization. Additionally, the Commission is responsible for the establishment and maintenance of the Ontario Farm Income Stabilization Fund. All fees collected together with funds provided by the Province in support of farm income stabilization plans, are to be credited to this Fund.

The Act requires the accounts and financial transactions of the Commission to be audited annually by the Provincial Auditor. Accordingly, our initial audit of the Commission was completed for the period ended March 31, 1978.

90. Method of Audit Reporting. A report was prepared on each Crown Agency audit performed during the year and was submitted to the Agency involved and to the responsible Minister. Observations and comments were made on matters noted during the audits. Included in the reports were recommendations for improvement in internal controls and in the general efficiency of the accounting

process. Matters raised which, in our judgment, are of interest or significance to the Legislative Assembly are included in subsequent sections of this Report. Not all of the subsequent comment is of critical nature; certain of our comments are for informative purposes only. Generally speaking, the caption of the section will indicate whether the content is critical or informative.

Each agency is requested to respond to our audit findings and recommendations. Relative views and opinions expressed in replies received from Agencies have been included for informative purposes without further comment by this Office, but will be reviewed during subsequent audits of the respective Agencies.

91. Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Annual Reports. It is our practice to follow up on suggested corrective action and recommendations during our next audit of the particular Crown Agency. The status of suggested corrective action and recommendations contained in our 1976-77 Report is indicated in Exhibit 8 to this Report. Exhibit 8 also provides an update on the status of corrective action and recommendations considered unresolved per Exhibit 11 in our 1976-77 Report.

92. Proposal for New Warehouse, Liquor Control Board of Ontario. The Board's audited financial statements for the year ended March 31, 1978 are reproduced in Volume 2 of the 1977-78 Public Accounts.

According to a study made by the Board, existing warehousing facilities in the Toronto region are inadequate in regard to the volume they can handle and the efficiency and economy of the operation. On March 29, 1977 the then Minister of Consumer and Commercial Relations announced that a new warehouse was planned to be built in Whitby.

During the course of our current year's audit, we noted that on June 30, 1978, the Board submitted for the Minister's approval a proposal to build the warehouse. Over the first eleven years of operations (1982-1992), according to the Board, it was estimated that the proposed warehouse, if located in the Toronto region, would reduce costs by 79 per cent or \$161,000,000. Since most foreign products are imported through the port of Toronto and the majority of domestic suppliers and retail outlets are to the west of Toronto, additional costs would be incurred by shipping to and from a Whitby location. For the first eleven years of operations, it was estimated by the Board that the Whitby location would cause an increase in transportation costs of 17.2 per cent or \$28,000,000. The full savings of \$161,000,000 therefore would not be realized if the plant is built in Whitby.

The foregoing comments were transmitted to the Board on September 29, 1978, the date of this Report. The Board has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

93. Comments on Leased Vehicles, Liquor Licence Board. The Board's Statement of Revenue and Expenditure for the year ended March 31, 1978 reflects revenue of \$93,100,121 and expenditure of \$6,153,541. Revenue is deposited into the Consolidated Revenue Fund, and expenditures are paid out of moneys appropriated by the Legislature.

During the year ended March 31, 1978, the Board leased 68 vehicles at an annual net cost of \$193,926. The decision to lease rather than purchase was made on the recommendation of a study conducted by the Management Consulting Services Branch of the Ministry of Government Services. Two previous studies made by the Ministry of Government Services (dated February 6, 1974) and by the Liquor Control Board of Ontario (dated February 27, 1976), concluded that it was more economical to purchase. The Board, however, commissioned the third study because it had reservations concerning the assumptions on which the previous two studies were based.

Our examination of subsequent vehicle usage revealed that the assumptions used by the third study (regarding rebates, personal usage and recovery of depreciation charges) were incorrect. When actual figures for the aforementioned assumptions are substituted in the third study formula, the results show that it is more economical to purchase than to lease. As no documentation was made available to us concerning the method or reasoning by which the Board formulated its assumptions, we were not able to determine on what basis the assumptions were made.

In the light of the above observations, we recommended that the Board review its current leasing policy.

Twenty-five of the 68 leased vehicles averaged less than 1,000 business miles per month and cost an average of 34.7¢ per mile. One employee averaged only 215 business miles per month, and because of low usage, the operating cost was 77.2¢ per business mile. At the time of our audit, vehicles were provided on request to all inspectors and supervisory inspectors. We therefore recommended that the Board examine alternative transportation methods for low-mileage employees.

Notwithstanding the Ontario Manual of Administration, which states that private use of government vehicles is not permitted, private use of Board vehicles is allowed. It was also noted that employees are charged only 14¢ per mile for private usage while it costs the Board an average of 23.4¢ per business mile to operate its vehicles. We recommended that the Board comply with the policy as set out in the Manual of Administration.

The foregoing comments were transmitted to the Board on September 29, 1978, the date of this Report. The Board has not had an opportunity to respond to our comments and we are, therefore, unable to present its views on the matters raised.

94. Legislative Printing Contract, Office of the Assembly. The financial statements of the Office of the Assembly for the year ended March 31, 1978 reflect expenditure of \$29,750,864 and revenue of \$36,722. Except for statutory payments, expenditures are made out of moneys appropriated therefor by the Legislature, while revenue is deposited into the Consolidated Revenue Fund.

Certain legislative printing is provided by a company under contracts issued in 1972 and 1974 by the Ministry of Government Services. These contracts expired on March 31, 1978. The payments to this company during the year ended March 31, 1978 totalled approximately \$400,000. At the time of our audit a new contract was being drawn up by the Office of the Assembly with the same com-

pany. The contract is to be for a term of twelve years, with provision for termination at the end of the fourth and eighth years on grounds of unsatisfactory performance. We noted that this contract is not being awarded on the basis of tenders, apparently because of the absence of local competition that has resulted from the long standing association of the company as the legislative printer over the years.

We suggested that the long-term implications of the new contract be considered, particularly with regard to the continued ability of this company to remain competitive and to keep abreast of any technological improvements in the industry. Additionally, we recommended that consideration be given to measures which would reduce the dependence of the Office on a single source of supply.

Although the preceding comments were reviewed with officials of the Office, no formal report had yet been issued as at September 29, 1978, the date of this Report. Accordingly, we are unable to present the Office's views on this matter.

95. Recommendations Made Relating to Possible Cost Savings, Office of Chief Election Officer. Expenditure relating to the Office of Chief Election Officer is reflected as part of the Office of the Assembly Program, as set out on page 96 of Volume 1 of the 1977-78 Public Accounts. Such expenditure, as it pertained to The Election Act, amounted to \$12,105,043 for the year ended March 31, 1978, and was statutory in nature. The remaining expenditure of the Office, amounting to \$227,107 for the year ended March 31, 1978, was made out of moneys appropriated therefor by the Legislature.

Equipment

At the time of our audit, the Office of Chief Election Officer owned a station wagon, and we understood that it also had the use of a second station wagon owned by the Office of the Assembly. The records indicated that maximum use of both vehicles was made during the 1977 election. We were advised that, under normal circumstances, the vehicles are used mainly for business travel within the city and for local delivery purposes. It would therefore appear that it may be more economical to utilize commercial delivery or taxi service between election periods and to lease vehicles during elections. We recommended that this alternative be considered.

A forklift truck, costing \$7,655, was purchased during the 1977-78 fiscal year. A second forklift truck, purchased a number of years ago, was also on hand. As in the case of vehicles, it may be more economical to lease such equipment for a certain period during an election. We therefore recommended that the costs of purchase versus lease be carefully considered in future.

Premises

The Office occupies premises in the core of Toronto consisting of a large, one storey building. It was observed that a large proportion of the floor space is used for storage, shipping and receiving purposes. A considerable portion of the remaining floor area is vacant between election periods. We were not in a position to comment on the economy or efficiency of the present arrangements compared to suitable alternative accommodation that may be available. We did believe, however, that a review of this matter with the Realty Services Branch

of the Ministry of Government Services would be helpful for planning purposes.

Adjoining the building is a parking area for eight vehicles. Currently, employees of the Office are not charged for using these parking spaces. We recommended that consideration be given to instituting charges in line with policy established in the Ontario Manual of Administration.

Printing Costs

Regulation made under The Election Act provides for the printing of certain forms, and prescribes the maximum cost per page or lot that may be charged by the printer. In the case of the List of Voters the maximum prescribed cost per page is 24 cents, which includes sorting, trimming and binding. The total cost of printing Voters' Lists in the 1977 election was approximately \$1.3 million.

It would appear that Voters' Lists are particularly suitable for photocopying. It is therefore possible that considerable savings could be derived from utilizing commercial photocopying services offering competitive prices. We therefore recommended that a review be made of the feasibility of this procedure in consultation with Returning Officers.

The preceding comments were reviewed with officials of the Office. However, no formal report had been issued as at September 29, 1978, the date of this Report. We are, therefore, unable to present the Office's views on the subject matter.

96. Comments on Use of Vehicles, Office of the Ombudsman. The financial statements of the Office of the Ombudsman for the year ended March 31, 1978 reflect expenditure of \$4,128,962 and revenue of \$3,107. Expenditure is made out of moneys appropriated by the Legislature, and revenue is deposited into the Consolidated Revenue Fund.

During the year ended March 31, 1978, an office policy on vehicle utilization was implemented. This policy permitted personal use of vehicles assigned to investigative directors and the Executive Assistant to the Ombudsman. It also provided for the payment of costs of repairing damage sustained to a vehicle while in personal use, if the damage was not the result of negligence. Certain such costs were paid during the year. We noted, however, that the Ontario Manual of Administration (section 40-4) does not permit private use of government vehicles. We therefore recommended that Office policy be revised. In this regard, we were advised that the recommendation will be implemented with an effective date of December 31, 1978.

In September 1977, an odometer reading of the vehicle assigned to the Administration Directorate disclosed total mileage of 12,383 miles. However, the log record maintained for this vehicle showed total mileage of only 3,683, leaving an unaccounted for difference of 8,700 miles. We were advised that this difference was personal mileage driven by an employee whose duties involved use of the vehicle. Since Office policy did not allow personal use of this vehicle, the employee's supervisor recommended his release under his contract. The employment contract for this employee expired on January 3, 1978. We noted that this employee was rehired under a new employment contract effective April 3, 1978.

We further noted that no taxable benefit was included in the employee's T4 for income tax purposes. This matter was brought to the attention of the Administration office for correction.

The annual mileage accumulated on the above vehicle was approximately 5,000 miles, excluding personal mileage. This car, which was purchased in February 1977, appears to have been used mainly in delivery service. We recommended that consideration be given to its disposal and that unassigned vehicles in the fleet, commercial delivery or taxi service be utilized as required in future.

Although the preceding comments have been reviewed with officials of the Office, no formal report had been sent to the Office as at September 29, 1978, the date of this Report. We are, therefore, unable to present the Office's views on these matters.

97. Questionable Need for Certain Office Equipment, Office of the Ombudsman.

As at March 31, 1978 the Office owned 44 transcribers and 82 portable dictaphones. Additionally, two transcribers were rented for a period of 12 months ending in December 1977. When considered in relation to a total Office complement of 120 employees, it appeared that there could very well be a surplus of this equipment. We therefore recommended that its distribution and utilization be reviewed, and consideration given to establishing a central pool of equipment.

Nine cameras, certain accessories and two projectors were in the possession of a number of directorates. To ensure that the present stock of cameras is not excessive and that proper control is exercised, we recommended that this equipment be under central control.

As at March 31, 1978 the Office had under lease five Mag II typewriters, three of which were acquired in 1976 and two in 1977. The annual rental of these machines is approximately \$20,000. A sixth such typewriter is owned by the Office. These typewriters are assigned to specific directorates. In view of the costly nature of this equipment, we recommended that a study be made of the word processing needs of the Office as a whole to ensure maximum utilization. We also recommended that consideration be given to an overtime shift for operating the equipment. We were advised that such a study is now underway.

The Standing Agreement for purchase or lease of the preceding equipment specifies a purchase option at the end of the 12th and 24th month of a lease. We recommended that these options be carefully considered, as well as that of outright purchase in the case of future acquisitions.

One of these typewriters has been rented on a month to month basis since April 1976. Rental rates on this basis are \$40 per month higher than under a 2-year lease. If this typewriter is to be retained, we recommended that a lease agreement be drawn up.

Additionally, three IBM Selectric typewriters were leased for the North Pickering Hearings. At the time of the audit, the amount paid in rentals approximately equalled the purchase cost of similar typewriters. We therefore recommended that, in future, a purchase option be included in leases for extended or uncertain periods of time.

Although the foregoing comments have been reviewed with officials of the Office, no formal report had been sent to the Office as at September 29, 1978, the date of this Report. As a result, we are unable to present the Office's views on the subject matter.

98. Probable Loss on Acquisition of Housing Site, Ontario Housing Corporation.

The Corporation's audited financial statements for the year ended December 31, 1977 are reproduced in Volume 2 of the 1977-78 Public Accounts.

At the request of a municipality, the Corporation acquired a site in 1974 to construct a senior citizen high-rise apartment and commercial complex. On submission of preliminary drawings and cost estimates, development was approved by the municipality in 1975. A tender call was issued in 1976 but as bids received exceeded budget, the call was cancelled. The consulting architect, retained by the Corporation, was instructed to redesign the construction to reduce costs.

In 1977, design changes and revised cost estimates were presented to the municipality. The municipality rejected these submissions in view of its share of estimated operating losses being excessive in comparison with other Corporation housing developments in the municipality and recommended that another site be selected.

At December 31, 1977, costs incurred by the Corporation relating to the project amounted to \$1,250,930 consisting of:

Land	\$ 275,600
Architect's fees	695,396
Capitalized interest	172,305
Other	107,629
	<u>\$1,250,930</u>

At the conclusion of our audit, the current status of the project was uncertain. It appeared that eventually a large portion of the above costs will have to be absorbed by the Corporation without a contribution from the municipality.

To avoid a similar situation arising in the future, we recommended that a Development Agreement should be entered into with each municipality before a project is commenced.

The Corporation subsequently responded as follows:

"As noted by you the Corporation, at the request of a municipality, acquired a site in 1974 to construct a senior citizen high-rise apartment. In 1975 the development was approved by the municipality based on preliminary drawings and cost estimates of \$22,000 per unit. Subsequently in June of 1976, the city council approved final drawings and urged Ontario Housing Corporation to call tenders at the earliest possible date. The issued tender call was cancelled by Ontario Housing Corporation as bids exceeded the per unit budget. The architect retained by the Corporation was instructed to redesign to reduce costs. Although the redesign submitted to the city in April of 1977 was approved, the revised costs of \$21,350 per unit were rejected. The Corporation in an attempt to find other housing units for the site put forward a number

of alternatives to the city. The city agreed that the Corporation should issue a proposal call for a Community Sponsored Housing project which would include a high percentage of assisted housing units for senior citizens.

"As a result in March 1978, a joint call under the Federal Assisted Rental Program and the Provincial Community Sponsored Housing Program was issued. There was no acceptable response to this call and the Ontario Housing Corporation Board decided that the site should be sold. The city was informed of the proposed sale and asked to share in expected losses of approximately \$850,000. This request was in recognition of the city's role in the acquisition and subsequent design of the senior citizen housing project inasmuch as it had asked the Ontario Housing Corporation to provide the housing; agreed to pay its share of resulting subsidies by resolution of Council; and approved the original tender drawings as well as the redesigned tender drawings.

"This procedure, where a municipality initiates a request for housing by resolution and subsequently agrees by resolution to participate in the subsidy, has been in use since 1966 and up to this time the Corporation has not experienced a refusal by a municipality to proceed with a project in an advanced stage of development. For this reason the Corporation requested the city to share in any losses on the disposition of the site. The city, although agreeing to the sale of the site, advised the Corporation it was not prepared to contribute towards any financial losses suffered by the Ontario Housing Corporation.

"After considering the legal position of both parties, it was determined that it was in Ontario Housing Corporation's best interests to proceed with the sale notwithstanding the municipal decision not to participate in losses. However, the Corporation intends to pursue this matter again once the site has been sold and the extent of the loss determined.

"Your recommendation that a development agreement be entered into with each municipality before a project is commenced has been reviewed and a model document taking this recommendation into account is being prepared for possible future use. There is some concern that such agreements could lock both the municipality and the Corporation into constructing assisted housing projects with long term commitments even when demand for such units may have decreased by the time a construction proposal is ready for tender."

99. Rent-Geared-To-Income Programs, Ontario Housing Corporation. In our previous year's audit report, we noted that:

- (1) Rent scale adjustments for services, as outlined in the Corporation's field manual, had been effective since pre-1970. These adjustments include monthly charges to tenants for the following services:

Heat	\$12 to \$15 (depending upon Provincial location)
Hot water	\$3
Water	\$3
Stove	\$1
Refrigerator	\$1
Electricity (Family)	\$5
Electricity (Senior citizen)	\$3

- (2) The definition of "family income" has also been effective since pre-1970 and provides for inclusion of only the first \$75 per month income of all members of a tenant family other than the family head or spouse. The definition further excludes from income, earnings of a spouse up to \$900 per annum.

We recommend that these conditions be reviewed in the light of current market conditions.

During the current year's audit, we were advised by management as follows:

- (a) During 1977 a comprehensive study of adjustments to the rent scales in respect of utilities and services, was done by the Corporation. Recommendations to increase the allowances to tenants who pay these costs directly and to increase the rents of those for whom allowances are included in the rent, have been approved by the Corporation's Board of Directors and by the Central Mortgage and Housing Corporation. The recommendations have been referred to the Minister of Housing for approval before being introduced.
- (b) The definition of family income has long been a matter of concern especially insofar as only the first \$75 per month of other family members of a tenant is included in the rent calculation. This significant feature of the total rent scale is basically a national scale developed by the Central Mortgage and Housing Corporation. The scale has frequently been subjected to review over the past years but, to date, no major revision has emerged. As part of a new federal approach to housing, a flat rate of 25 per cent has recently been advocated. The Ontario Housing Corporation expects to participate in any review and recommend a number of revisions calculated to increase revenues.

On September 21, 1978 we were further advised by the Corporation that: *"Your observation on rent scale adjustments for utilities and services is correct. Recommendations for increases in the adjustments, approved by the Ontario Housing Corporation Board of Directors and Central Mortgage and Housing Corporation have been referred to the Ministry of Housing.*

"A Ministry Task Force has been established to determine current and future requirements for Family and Senior Citizen Housing, and to examine the matter further in conjunction with other aspects of the rent scale.

"The definition of family income has been under review at the Federal-Provincial level and also by the above-noted Ministry Task Force."

100. Mortgage Instalments in Arrears, The Ontario Junior Farmer Establishment Loan Corporation. The object of this Corporation includes the making of loans to young qualified farmers for the establishment, development and operation of their farms. The records of the Corporation indicate that the last loan application was accepted in February 1969. The Corporation's audited financial statements for the year ended March 31, 1978 are reproduced in Volume 2 of the 1977-78 Public Accounts.

As at March 31, 1978, mortgage principal and interest instalments totalling \$534,844, or 8.76 per cent of total instalments and other charges billed, were in arrears. As at March 31, 1977 and 1976 the corresponding percentages were 7.83 per cent and 5.59 per cent respectively. Although no losses are anticipated in view of the security behind the loans, any reduction in arrears would benefit the Consolidated Revenue Fund of the Province. We therefore recommended that the services of Agricultural Representatives of the Ministry be utilized to a greater degree to supplement the Corporation's collection efforts.

Included in the above total of arrears were instalments totalling approximately \$58,000 pertaining to 1976 and prior years. We recommended that the Board outline a policy for dealing with these accounts.

The foregoing comments were reported to the Corporation on June 13, 1978. We have no record of a reply as at September 29, 1978, the date of this Report. We are, therefore, unable to present the Corporation's views on the matters raised.

101. Review of Management by Results Agreement, Ontario Racing Commission.

The financial statements of the Ontario Racing Commission for the year ended March 31, 1978 reflect expenditure of \$7,012,404 and revenue of \$513,215. Expenditures are paid out of moneys appropriated by the Legislature, and revenue is deposited into the Consolidated Revenue Fund.

Management by Results (MBR)

Management by Results (MBR) may be defined as a measurement process whereby the Ministry and Management Board of Cabinet reach mutual agreement as to what results are meant to be achieved in the course of a fiscal year in exchange for the resources assigned to the program. Appropriate indicators of the results are mutually identified and accepted. The MBR process, currently considered as being in its developmental stages, is the basic method by which Management Board of Cabinet ensures that Ministry programs are managed effectively and efficiently. A review was made of the Commission's Management by Results Agreement, including the Race Tracks Tax Sharing Arrangement. Certain observations and recommendations resulting from our review are set out in the following paragraphs.

The Ontario Racing Commission recently completed its first year under MBR.

Measures of economy are not included in the Commission's MBR Agreement.

A possible measure for consideration is a standard cost of operations per racing day.

The MBR Agreement attempts to measure "efficiency/effectiveness" by means of a comparison of two forecasted man days to racing days quotients, to similarly determined actual performance quotients. Variances obtained are expected to indicate generally the extent of efficient operations. However, in our opinion, such comparison does not measure effectiveness. Additionally, we felt that even in measuring "efficiency", the MBR is weak, as specific standards have not been set. We suggested that variances would be more meaningful if forecasts represented specific points of measurement constituting efficient performance. These specific points are considered "standards of performance".

Our concerns regarding the measurement of effectiveness were detailed further as a result of our review of the Race Tracks Tax Sharing Arrangement, which is included in the MBR Agreement.

Race Tracks Tax Sharing Arrangement

BACKGROUND

As part of a package of tax changes to meet the Province's financial requirements for the fiscal year 1968-69, the tax on bets established under The Race Tracks Tax Act was increased from 6 per cent to 7 per cent. An additional \$2.5 million was expected from the tax change.

In the same year, the then Department of Treasury and Economics introduced a grant program to encourage and improve horse racing in Ontario, including research into equine medicine. This program, which included the operating expenses of the Ontario Racing Commission, and which encompassed both thoroughbred and standardbred racing, was to be funded from 85 per cent of the additional 1 per cent tax imposed by the Province. Accordingly, grants of \$1.8 million were given to the Racing Industry in 1968-69. Subsequent grants made ranged from approximately \$1.8 million in 1970-71 to \$2.4 million in 1973-74.

In July, 1973 the Minister of Consumer and Commercial Relations, responding to a proposal from the Ontario Standardbred Improvement Association Inc. and the thoroughbred racing industry, made a submission to Cabinet for increased assistance to standardbred and thoroughbred racing. Problems facing the Racing Industry were summarized as follows:

- (a) Unless a comprehensive program of stakes races exclusively for standardbred horses sired by stallions standing in Ontario was instituted in the very near future, all, save the largest and wealthiest standardbred breeders, would be forced out of business and to give up their breeding and farming operations.
- (b) Thoroughbred problems resulted largely from the fact that purse distribution increased by only 4 per cent per year since 1962 while the wages of persons engaged in training thoroughbreds rose at a faster rate than owners' purses. Although the thoroughbred industry was covered by an adequate stakes program, the urgent need was to help the small owner meet rising costs.

Recommendations made to resolve these problems were:

- (a) The introduction of a Sires Stakes Program for standardbred racing in order to improve the quality and quantity of racing stock in Ontario. Proposed funding was to rebate the full 1 per cent in place of 85 per cent of 1 per cent of the pari mutuel handle on standardbred racing, exclusive of any contribution to the operating costs of the Ontario Racing Commission.
- (b) The rebate of the full 1 per cent tax increase on thoroughbred racing in order to help the owners of thoroughbred horses meet their rising costs.

On September 24, 1973 the Minister announced the increased support to the Racing Industry.

Commencing with the fiscal year 1974-75 grants were made to the Racing Industry based on 1 per cent of the previous year's wagering as reported by the Federal Department of Agriculture and reproduced in the Annual Report of the Ontario Racing Commission. Payments made from 1974-75 to 1977-78 ranged from approximately \$4 to \$5.7 million.

OBJECTIVES

The overall objective of the Race Tracks Tax Sharing Arrangement described in the foregoing is "to stimulate growth in the Ontario Racing Industry". By providing grants to horse owners, breeders and for track facilities it is expected that a continuous chain of action will occur causing better attendance, more jobs, increased wagering, higher purses and ultimately increased tax revenues for the Province.

In view of the increase in race tracks tax revenues from approximately \$34 million in fiscal year 1974-75 to \$43 million in 1977-78 it may be concluded that the program is effectively meeting its overall objective. However, in the absence of a clearly defined and measurable overall objective, we questioned whether valid conclusions could be reached. For example, the term 'growth' is not defined, there is no statement as to what measure of 'growth' is expected over and above normal growth, there is no indication of the estimated maximum investment needed to achieve such 'growth', and there is no statement as to the estimated time period needed to achieve such 'growth'.

The specific purposes of the tax sharing arrangement are, by way of grants, to:

- 1) supplement purses on races,
- 2) improve the quality and quantity of racing stock in Ontario,
- 3) improve facilities at Class III circuit standardbred tracks in the Province, and
- 4) fund equine research programs.

Since we felt that even the specific purposes are too broad and do not lend themselves to precise measurements, we recommended that:

- 1) sub-objectives be defined in writing;

- 2) where possible each sub-objective be defined in terms of measurable results; where sub-objectives cannot be easily quantified, measurable factors be identified as indicators of successful performance;
- 3) following (1) and (2), an evaluation be conducted to determine whether the grants program has achieved the desired results.

In the absence of such an approach, we questioned how can it be determined, for example, whether sufficient assistance has been given to the small breeder/owner, one of the needs identified in 1973 when the increased support (from .85% to 1% of pari mutuel handle) was announced. An illustration of our concern in this regard follows:

The Ontario Standardbred Sires Stakes program was introduced in fiscal year 1974-75 as a result of the proposal from the Ontario Standardbred Improvement Association Inc. Grants made in 1977 for this particular program accounted for approximately 50 per cent of the Standardbred Improvement Program grant. Total purses under this program ranged from \$2,437,973 in 1975 to \$3,140,596 in 1977. Total breeders' awards ranged from \$149,739 in 1975 to \$183,898 in 1977. However, during these three years, from 69 to 77 per cent of purse grants went to approximately 20-25 per cent of winning standardbred horse owners, and from 68 to 76 per cent of breeders' awards went to approximately 18-23 per cent of winning standardbred horse breeders.

The Chairman of the Commission responded to our comments on September 6, 1978:

General

"... This is the first year of the M.B.R. at the Ontario Racing Commission and we acknowledge that there are shortcomings with the present plan, but as the staff become more experienced with the measures and develop more expertise in their use, they will develop more sophisticated performance oriented measures in the area of effectiveness."

Management by Results

"Measures of Economy:

The cost of operations per racing day is provided by man days as opposed to dollars as the M.B.R. relates more to people resources than dollar resources. The dollar cost could be achieved by dividing the total budget by the number of racing days and this figure is easily obtainable from the reports. However, we believe this type of measure is of limited value to the Commission. Efficiency measures in dollar terms are more complicated to work with as adjustments need to be made for price changes and a more sophisticated accounting system is required.

"Variances:

Variances between forecasted and actual man days to racing days quotations are not meant to measure effectiveness. There are specific effectiveness measures geared to this such as attendance figures, wagering dollars, dollar sales of horses sired by Ontario sires relative to those not Ontario sired and purse dollars.

"Standards of Performance:

The M.B.R., in a sense, established standards of performance for the current year in the M.B.R. plan which was approved by Management Board. The Ontario Racing Commission have difficulty setting standards as their objectives, in part, relate to the breeding of horses. In fact, this is the first year in which we will see any real effect of the Commission's racing and breeding program as the first foals sired under the program are racing and up for sale with reputation. An additional difficulty that is recognized in the Ministry is that the accuracy of forecasting is not dependable. In some programs, this is due to a lack of data, in others it is due to the lack of expertise. In the Racing Commission, this lack of expertise will be cured over time through the systematic data collection required by the M.B.R. program. The Ministry is hoping to conduct a seminar on forecasting techniques which will assist in upgrading the accuracy of forecasting."

Race Tracks Tax Sharing Arrangement:

"The Commission staff will be requesting the Province of Ontario Horse Racing and Breeding Advisory Board to develop specific objectives for the Horse Racing and Breeding Improvement Programs at the time of the five year review in the late fall of 1978. It is considered that this is an opportune time to commence this type of program evaluation as we are now into the first full operational years of the program.

"Finally, we would like to point out that any horse racing and breeding program is a success oriented program, not a redistribution of wealth. Therefore, the observations in your report that, in fact, 69 to 70% of the monies went to approximately 20 to 25% of the winning standard-bred owners and breeders is, in fact, a fairly healthy statistic, especially when it is compared year to year as there are different owners and breeders forming the 20 to 25% each year."

102. Inefficient Management of Funds, Soldiers' Aid Commission. At March 31, 1978 the assets of the Commission, consisting principally of cash and investments, amounted to \$192,152, with a corresponding surplus. For the 1977-78 fiscal year, revenue, including a grant of \$15,000 from the Province of Ontario, totalled \$29,832 while expenditure was \$26,155.

A \$4,000 Province of Ontario 3 per cent bond that matured on October 15, 1977 had still not been redeemed as at July 7, 1978. Proceeds from a \$30,000 Guaranteed Investment Certificate that matured on June 13, 1977 were not deposited to the Commission's savings bank account until July 8, 1977. Also, we noted eight instances where interest income was deposited several days late to the Commission's savings bank account. Accordingly, as in the previous two years, it was recommended that both proceeds from investments and interest income be deposited to the Commission's savings bank account as early as possible so as to maximize interest earnings.

As at June 30, 1978, the Commission had over \$80,000 cash in its savings

bank account. This amount of cash was well in excess of the Commission's annual requirements. We therefore recommended that consideration be given to investing a portion of the cash from the savings bank account in higher yielding interest income securities so as to maximize the Commission's interest earnings.

The preceding comments were transmitted to the Commission on August 24, 1978. As at the date of this Report, September 29, 1978, we have no record of a reply. We are, therefore, unable to present the Commission's views on the matters raised.

103. Improvements Warranted in Accounting for Damaged Merchandise, Star Transfer Limited. As at December 31, 1977 the assets of the Company totalled \$7,043,766. Liabilities and reserves amounted to \$4,872,936, while capital and retained income totalled \$2,170,830. For the 1977 calendar year, revenue and expenses amounted to \$8,410,550 and \$8,683,969 respectively.

Star Transfer Limited was incorporated as a private company on January 2, 1951, and was subsequently purchased by the Ontario Northland Transportation Commission under an agreement dated July 11, 1960. Since that time Star Transfer Limited has operated as a wholly-owned subsidiary of the Commission, and has provided trucking service throughout northeastern Ontario.

The Company derives salvage primarily from damaged merchandise refused by consignees. Proceeds from disposal during the year ended December 31, 1977 totalled approximately \$27,000. In certain cases salvage values are deducted from claims paid.

The present records did not readily provide a means of determining the ultimate disposition of all damaged merchandise. We also noted that there is no written policy on salvage. We therefore recommended that a written policy and procedures be established.

On June 15, 1978, the Chairman of the Ontario Northland Transportation Commission Audit Committee responded as follows:

"The recommendations of the Auditor were concurred in and a written policy on salvage will be obtained. In the meantime, the record keeping will be improved to provide a means of determining the ultimate disposition of all damaged merchandise, whether it is partially salvaged or disposed of at a total loss."

104. Need for Improved Bank Reconciliation Procedures, Workmen's Compensation Board. The audited financial statements of the Board for the year ended December 31, 1977 are reproduced in Volume 2 of the 1977-78 Public Accounts.

At the time of the 1977 year-end audit, monthly reconciliations of the Board's bank accounts were being prepared on a more timely basis than was the case during 1976. However, various problem areas existed within the procedures and formats followed when such reconciliations were being prepared.

These problems were primarily caused by (1) the lack of continuous review (2) the duration of time before processing appropriate adjustments through the Board's accounts (3) the lack of updating the manual in respect to bank re-

conciliations and (4) the apparent lack of training of those persons responsible for the reconciliation procedures.

We recommended that the Board's Internal Audit Branch be assigned the responsibility of instructing the applicable personnel in the proper procedures to be used in reconciling bank accounts, identifying and correcting existing deficiencies and aiding in the updating of the bank reconciliation manual.

Further, we suggested that Internal Audit monitor the progress and reliability of the monthly bank reconciliations until such time as the reconciliations are properly prepared and acceptable internal control procedures are followed.

On July 21, 1978, the Executive Director, Financial Services Division, wrote to us as follows:

"Most of the procedural and format deficiencies have now been corrected, and the process is continuing. Reconciliation statements and adjusting entries are supported by suitable data and approved by supervisors. As indicated in the report, the reconciliations are currently being prepared on a timely basis.

"Staff training is an ongoing program, and the quality of work produced by those responsible for the reconciliation procedures is showing satisfactory improvement. I do not agree with the recommendation to have the Internal Audit Branch direct the training program, because I believe that Internal Audit should never be placed in a position where they will have to evaluate the results of their own work.

"It is acknowledged that the procedure manual should be formally compiled. This has not been given high priority because of more pressing operating requirements. Written instructions have been used for the guidance of the reconciliation clerks, and these will be developed for the procedure manual as soon as practicable."

ACKNOWLEDGEMENTS

On December 31, 1977, Mr. H. J. McLaughlin, C.A., retired from the position of Assistant Provincial Auditor after 35 years of valued service to the Province. The vacancy was filled by the promotion of Mr. D. F. Archer, B. Comm. C.A., Director of the Public Accounts Audit Branch.

It is a pleasure for me and my staff to again acknowledge the co-operation, understanding and effective assistance that was extended to us by officials and staff of the ministries, agencies and Crown corporations during the conduct of the audits.

I also wish to place on record my appreciation of the manner in which all levels of staff in the Office have applied themselves to their duties during the past year.

A handwritten signature in dark ink, appearing to read 'F. N. Scott', with a large, stylized flourish at the end.

Toronto, September 29, 1978

F. N. Scott, C.A.
Provincial Auditor.

EXHIBITS

1. Province of Ontario, Audited Financial Statements, Year Ended March 31, 1978.
2. Monthly Summary of Budgetary Expenditure by Ministry, Year Ended March 31, 1978.
3. Management Board Orders — Amounts Authorized and Expended Thereunder during the Year Ended March 31, 1978.
4. Statutory Appropriations — Amounts Expended Thereunder during the Year Ended March 31, 1978.

Office of the Provincial Auditor:

5. Organization Chart, March 31, 1978.
6. Revenue and Expenditure Audits, Year Ended March 31, 1978.
7. Crown Agency Audits, Year Ended March 31, 1978.
8. Status of Suggested Corrective Action and Recommendations Contained in the Provincial Auditor's Previous Annual Reports.
9. Status of Recommendations Contained in the Reports of the Standing Public Accounts Committee to the Legislative Assembly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Entity

In the operation of its financial affairs the Province of Ontario employs the concept of a Consolidated Revenue Fund, unique to the parliamentary system of government. The financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows. With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

The Accounting Basis

The Province of Ontario uses the cash basis of accounting for its financial transactions, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. The cash basis of accounting, modified as described, is used to disclose to the public the stewardship of the Government in regard to monies entrusted by appropriation, and raised through taxes and borrowing. Revenues and expenditures being unrelated in nature are matched only by timing of cash flow.

Classification of Transactions

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund.

"Budgetary Transactions" are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants, and the acquisition or creation of fixed assets. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt of the Province.

"Non-budgetary Transactions" are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. "Disbursements" is the term used to describe the lending and investment transactions of the government. "Receipts" consist of the repayment of loans or recovery of investments. "Credits" is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed "Charges".

"Debt Transactions" are the borrowing and repayment transactions which include obligations issued by both non-public and public sources of funds.

Assets and Liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets are not considered to differ from any other service to the public, they are expensed as budgetary items in the year of acquisition. Neither do they represent financial claims on others and are therefore not reported as balance sheet assets.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which revenues exceed or are less than budgetary expenditures.

EXHIBIT 1

STATEMENT OF CONSOLIDATED REVENUE FUND

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
OPENING BALANCE		
Cash, temporary investments and marketable securities	804	1,031
BUDGETARY TRANSACTIONS		
Revenue	11,308	10,692
Expenditure	13,129	11,921
Budgetary deficit	(1,821)	(1,229)
NON-BUDGETARY TRANSACTIONS		
Loans, Advances and Investments		
Receipts	321	265
Disbursements	949	907
Net Increase in Loans, Advances and Investments	(628)	(642)
Trust Administration Functions		
Credits	420	399
Charges	125	116
Net Increase in Trust Administra- tion Functions	295	283
Non-Budgetary Transactions (net)*	(333)	(359)
CASH REQUIREMENTS*	(2,154)	(1,588)
DEBT TRANSACTIONS		
Proceeds of Loans	2,036	1,667
Retirements of Loans	138	306
Debt Transactions (net)*	1,898	1,361
CLOSING BALANCE		
Cash, temporary investments and marketable securities	548	804

*Includes borrowing and lending on behalf of Ontario Hydro. See Note 2.

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

EXHIBIT 1

STATEMENT OF BUDGETARY REVENUE

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
TAXATION		
Personal Income Tax (Note 10)	2,447	1,782
Retail Sales Tax	1,926	1,775
Corporations Tax	1,014	1,002
Gasoline Tax	523	508
Federal Government Income Tax Revenue Guarantees ..	210	496
Tobacco Tax	206	157
Motor Vehicle Fuel Tax	85	79
Succession Duty	73	62
Land Transfer Tax	62	52
Other	84	93
	<u>6,630</u>	<u>6,006</u>
OTHER REVENUE		
Premiums—Ontario Health Insurance Plan	830	799
Profits from Crown Corporations and Boards		
Liquor Control Board of Ontario	327	302
Ontario Lottery Corporation	71	76
Vehicle registration fees	267	223
Liquor Licence Board—fees	93	84
Other fees and licences	114	106
Fines and Penalties	59	51
Royalties	49	42
Utility Service Charges	48	36
Other	110	109
	<u>1,968</u>	<u>1,828</u>
GOVERNMENT OF CANADA		
Established Programs Financing (Note 10)	1,400	
Hospital Insurance and Diagnostic Services Act	29	1,027
Medical Care Act	7	360
Canada Assistance Plan	416	472
Post-Secondary Education Adjustment Payment		190
Other	210	186
	<u>2,062</u>	<u>2,235</u>
INTEREST ON LOANS, ADVANCES AND INVESTMENTS (Note 2)	648	623
TOTAL BUDGETARY REVENUE	<u>11,308</u>	<u>10,692</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

EXHIBIT 1

STATEMENT OF BUDGETARY EXPENDITURE

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
SOCIAL DEVELOPMENT POLICY FIELD		
Health	3,644	3,349
Education	2,342	1,986
Colleges and Universities	1,258	1,157
Community and Social Services	1,116	1,036
Culture and Recreation	192	144
	<u>8,552</u>	<u>7,672</u>
RESOURCES DEVELOPMENT POLICY FIELD		
Transportation and Communications	1,035	917
Natural Resources	242	231
Housing	172	157
Agriculture and Food	170	165
Environment	114	99
Industry and Tourism	53	56
Labour	29	23
Energy	7	4
	<u>1,822</u>	<u>1,652</u>
JUSTICE POLICY FIELD		
Solicitor General	153	144
Attorney General	130	116
Correctional Services	126	107
Consumer and Commercial Relations	63	61
	<u>472</u>	<u>428</u>
GENERAL GOVERNMENT		
Treasury, Economics and Intergovernmental Affairs	410	483
Government Services	271	296
Revenue	195	198
Northern Affairs	113	86
Office of The Assembly	30	17
Other	22	20
	<u>1,041</u>	<u>1,100</u>
PUBLIC DEBT—Interest (Note 2)	1,242	1,069
TOTAL BUDGETARY EXPENDITURE	<u>13,129</u>	<u>11,921</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

EXHIBIT 1

STATEMENT OF NON-BUDGETARY TRANSACTIONS

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
LOANS, ADVANCES AND INVESTMENTS		
Receipts		
Ontario Hydro—advances secured by bonds	58	30
Nuclear power generating station—Pickering (Note 2) ..	22	20
Other corporations, boards and commissions		
The Ontario Education Capital Aid Corporation	62	57
The Ontario Universities Capital Aid Corporation	27	24
Ontario Mortgage Corporation	21	28
Other	59	42
Water treatment and waste control facilities	35	32
Loans to municipalities	18	16
Other loans and investments	19	16
	<u>321</u>	<u>265</u>
Disbursements		
Ontario Hydro	450	300
Other corporations, boards and commissions		
Ontario Mortgage Corporation	85	181
Ontario Housing Corporation	30	36
The Ontario Education Capital Aid Corporation	81	77
The Ontario Universities Capital Aid Corporation	34	33
Other	59	55
Water treatment and waste control facilities	135	146
Loans to municipalities	44	43
Other loans and investments	31	36
	<u>949</u>	<u>907</u>
NET INCREASE IN LOANS, ADVANCES AND INVESTMENTS	<u><u>628</u></u>	<u><u>642</u></u>
TRUST ADMINISTRATION FUNCTIONS		
Credits		
Pension funds	253	241
Deposit, trust and reserve accounts	161	105
The Province of Ontario Savings Office Deposits—net increase	6	53
	<u>420</u>	<u>399</u>
Charges		
Payments from pension funds and deposit, trust and reserve accounts	125	116
NET INCREASE IN TRUST ADMINISTRATION FUNCTIONS	<u><u>295</u></u>	<u><u>283</u></u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

EXHIBIT 1

STATEMENT OF DEBT TRANSACTIONS

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
PROCEEDS OF LOANS		
Non-public		
Canada Pension Plan Investment Fund	851	813
Teachers' Superannuation Fund	488	334
Ontario Municipal Employees Retirement Fund	190	180
Central Mortgage and Housing Corporation—waste control loans	57	40
	<u>1,586</u>	<u>1,367</u>
Public		
On behalf of Ontario Hydro	450	300
	<u>450</u>	<u>300</u>
TOTAL PROCEEDS OF LOANS	<u>2,036</u>	<u>1,667</u>
RETIREMENTS OF LOANS		
Non-public		
Government of Canada, Federal-Provincial Employment Incentive Programs	3	34
Government of Canada, Municipal Development Loan Board	5	5
Central Mortgage and Housing Corporation — waste control loans	6	6
	<u>14</u>	<u>45</u>
Public		
On behalf of Ontario Hydro	58	30
For general purposes	66	36
Treasury bills (net)		195
	<u>124</u>	<u>261</u>
TOTAL RETIREMENTS OF LOANS	<u>138</u>	<u>306</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

EXHIBIT 1

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1978

Assets

	1978 (\$ millions)	1977 (\$ millions)
Cash, temporary investments and marketable securities (Note 1)	548	804
Advances to Ontario Hydro (Note 2)	2,926	2,557
Advances and investments, other corporations, boards and commissions (Note 3)	4,455	4,333
Investments in water treatment and waste control facilities (at cost less recoveries) (Note 4)	880	780
Loans to municipalities	325	299
Other loans and investments (Note 5)	269	257
Total recorded assets	9,403	9,030
Net debt	7,978	6,157
	<u>17,381</u>	<u>15,187</u>

Liabilities

Deposits with The Province of Ontario Savings Office	345	339
Pension funds (Note 6)	1,336	1,140
Deposit, trust and reserve accounts	322	229
Advances payable	112	75
Treasury bills	130	130
Debentures and notes (Note 7)	15,136	13,274
	<u>17,381</u>	<u>15,187</u>
Contingent liabilities (Note 8)	<u>6,152</u>	<u>5,735</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Approved on behalf of the Ministry of Treasury and Economics.

A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics.

G. McINTYRE, F.C.A., Executive Director, Treasury Division.

EXHIBIT 1

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1978

(all figures in millions of dollars)

1. Cash, Temporary Investments and Marketable Securities

Temporary investments, which include obligations of Canadian chartered banks and other short-term investments, are recorded at cost. Marketable securities, which include debentures and bonds issued by the Province of Ontario and Ontario Hydro, are recorded at cost which was \$82 million at March 31, 1978 (1977 \$105 million). The market value of these securities was \$80 million at March 31, 1978 (1977 \$102 million).

2. Advances to Ontario Hydro

	1978	1977
Secured by bonds	\$2,901	\$2,510
Nuclear power generating station—Pickering	25	47
	<u>\$2,926</u>	<u>\$2,557</u>

The Province, in addition to guaranteeing all Ontario Hydro debt obligations, has issued U.S. dollar debentures on behalf of Ontario Hydro. The proceeds have been advanced to Ontario Hydro in exchange for U.S. dollar bonds with the same terms and conditions as the debentures of the Province. These borrowing and lending transactions, which fall outside the Province's own budget framework, increased the Province's level of non-budgetary transactions, cash requirements and debt transactions by \$392 million (1977 \$270 million). In addition, the interest payments related to such borrowing and lending transactions increased the level of budgetary revenue and budgetary expenditure by \$209 million (1977 \$178 million).

The Province, by agreement with Ontario Hydro and Atomic Energy of Canada Limited, contributed \$100 million to the capital cost of the Pickering nuclear power generating plant and under the terms of the agreement receives payments based on the net operational advantages of the plant. These payments, which have amounted to \$75 million, have been applied to reduce the advance.

3. Advances and Investments—Other Corporations, Boards and Commissions

	1978	1977
The Ontario Education Capital Aid Corporation	\$1,274	\$1,254
The Ontario Universities Capital Aid Corporation	1,232	1,225
Ontario Mortgage Corporation	758	694
Ontario Housing Corporation	349	330
Ontario Land Corporation	332	338
Development Corporations	179	157
Ontario Energy Corporation	100	100
Other	231	235
	<u>\$4,455</u>	<u>\$4,333</u>

The Ontario Education Capital Aid Corporation receives government advances to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. Under current support arrangements for local school boards, a portion of approved operating costs (which include interest and principal payments) is covered by provincial grants.

The Ontario Universities Capital Aid Corporation employs government advances to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. However, under the Province's current program of financial support of post-secondary education, these institutions received annual

budgetary grants in 1978 of \$112 million (1977 \$109 million) from the Province to cover the full amount of principal and interest due to the Corporation.

Ontario Mortgage Corporation utilizes Provincial funds to provide subsidized mortgages for home ownership and rental accommodation. The programs are directed at low to moderate income groups and areas with low vacancy rates. The Province paid subsidies amounting to \$1.8 million in 1978 (1977 \$1.6 million) to the Corporation for certain loans made at interest rates lower than cost.

Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and Central Mortgage and Housing Corporation (a federal crown corporation). Operating subsidies are shared by the Province, Central Mortgage and Housing Corporation, and municipalities. The Province's share of the subsidy for the calendar year 1977 was \$80 million (1976 \$67 million).

Ontario Land Corporation employs advances from the Province to assemble land for new communities and industrial parks in Ontario. The assets of the Corporation are primarily land.

Ontario Development Corporation and the related Eastern Ontario Development Corporation and Northern Ontario Development Corporation are lenders of last resort for the encouragement and expansion of manufacturing and tourist operations in slow growth areas, the expansion of exports and substitution of imports, and the launching of new products and techniques. The Province's investment is made up of \$7 million in equity and the remainder in advances. The Corporations have a \$6 million equity investment in industrial parks, but the bulk of the assets are loans. The Corporations received payments of \$11.9 million in 1978 (1977 \$16.4 million) to cover loans forgiven and written off.

Ontario Energy Corporation was established with a \$100 million equity investment by the Province to develop energy sources for Ontario through investment in energy exploration, development and production. The Corporation's major involvement is a 5% equity position in Syncrude Canada Ltd. (a joint venture of government and private enterprise to establish a synthetic crude oil plant in the tar sands of northern Alberta). The Corporation has also been participating in the research aspects of the Polar Gas Project which is studying the movement of natural gas from the eastern high Arctic to southern markets. At March 31, 1978 the Corporation had invested \$89 million in Syncrude and \$11 million in the Polar Gas Project.

4. Investments in Water Treatment and Waste Control Facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of agreements with the municipalities. Certain of the agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was \$41 million at March 31, 1978 (1977 \$38 million). Other agreements are for projects which are subject to service rate billings. The amount received from service rate billings in 1978 was \$48 million (1977 \$34 million) of which \$8.3 million (1977 \$6.5 million) was applied to reduce the investment account.

5. Other Loans and Investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$256 million (1977 \$243 million). During the 1978 fiscal year, the Province made grants of \$17.9 million (1977 \$16.2 million) to assist public hospitals in meeting principal and interest payments.

6. Pension Funds

	1978	1977
Public Service Superannuation Fund	\$1,324	\$1,129
Legislative Assembly Retirement Allowances Account	12	11
	<u>\$1,336</u>	<u>\$1,140</u>

The Province of Ontario maintains deposit accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public

Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on an actuarial report as at December 31, 1976, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$6 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$422 million which are required to be amortized by annual payments of \$49 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

As at March 31, 1978, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1978, received subsequent to the fiscal year end, reported an unfunded liability of \$3 million. The policy of the government, in regard to this account, is to contribute the amount of unfunded liabilities when they are reported.

Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education, the Province of Ontario makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund.

Based on an actuarial report as at December 31, 1975, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$1,069 million which are required to be amortized by annual payments of \$121 million until December 31, 1980, \$116 million from December 31, 1981 to December 31, 1989 and \$94 million on December 31, 1990.

As at March 31, 1978, the Province had made all scheduled payments.

7. Debentures and Notes

Years of Maturity, Mar. 31	1978 Payable in				1977
	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1978	\$	\$	\$	\$	\$ 72
1979	82	43	4	129	132
1980	67	29	4	100	100
1981	45		7	52	52
1982	62	39	7	108	108
1983	122	125	7	254	
1-5 years	378	236	29	643	464
6-10 years	1,554	185	20	1,759	1,230
11-15 years	2,856	44		2,900	2,686
16-20 years	5,376	155		5,531	5,065
21-25 years	1,753	618		2,371	2,070
26-30 years	210	1,684		1,894	1,723
31-35 years	25			25	22
36-40 years	13			13	14
	<u>\$12,165</u>	<u>\$ 2,922</u>	<u>\$ 49</u>	<u>\$15,136</u>	<u>\$13,274</u>

The U.S. dollar debenture liability is recorded at par with the Canadian dollar and with the exception of \$21 million, has been incurred on behalf of Ontario Hydro. The Province holds U.S. dollar bonds of Ontario Hydro having the same terms and conditions as the debentures of the Province.

The Province has borrowings of 169 million Deutsche Marks recorded at \$49 million, the Canadian dollar equivalent at the time of issue. At March 31, 1978, the Canadian dollar equivalent was \$95 million.

8. Contingent Liabilities

The Province is guarantor of certain debt obligations as follows:

	1978	1977
Debentures, Bonds and Notes		
Ontario Hydro	\$6,114	\$5,693
Provincial Crown Agencies	10	15
	<u>6,124</u>	<u>5,708</u>
Less: Ontario Hydro bonds held as investments of the Province	60	71
	<u>6,064</u>	<u>5,637</u>
Bank Loans Guaranteed		
Provincial Crown Agencies	9	7
Corporations and individuals through various Government programs	79	91
	<u>\$6,152</u>	<u>\$5,735</u>

9. Long-Term Leases

The Province has long-term lease commitments for accommodation amounting to \$153 million to 1983 and an additional \$124 million for years beyond 1983. The lease payments made in 1977-78 amounted to \$51 million.

10. Established Programs Financing

In 1977 the Province of Ontario agreed to revised fiscal arrangements with the Government of Canada in regard to the major cost-sharing agreements. In general terms, the new agreement provided for a replacement of the cost-sharing for hospital insurance and diagnostic services, medical care and post-secondary education with a transfer of new tax room to the Province in the personal income tax field and a cash payment which will grow annually at a rate based on the Gross National Expenditure. At the same time a similar cash payment was established for Extended Health Care which had previously been funded under the Canada Assistance Plan. The cash payments are reported as Established Programs Financing in the statement of Budgetary Revenue. These new arrangements are in effect until at least March 31, 1982.

11. Comparative Figures

Where necessary, 1977 comparative figures have been reclassified to conform with the 1978 financial statement presentation.

12. Anti-Inflation Legislation

Pursuant to the terms of an agreement between the Province of Ontario and the Government of Canada, the Province is subject to controls on compensation instituted by the Government of Canada in the Anti-Inflation Act, effective October 14, 1975.

EXHIBIT 1

PROVINCIAL AUDITOR'S OPINION

I have examined the statement of assets and liabilities of the Province of Ontario as at March 31, 1978 and the statements of consolidated revenue fund, budgetary revenue, budgetary expenditure, non-budgetary transactions and debt transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Province as at March 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The generally accepted accounting principles are those relative to government accounting and are described under the heading of "Summary of Significant Accounting Policies" on page 12 of Volume 1 of the Public Accounts.

In accordance with section 20 of The Audit Act, a report will be made to the Legislative Assembly.

A handwritten signature in dark ink, appearing to read 'F. N. Scott', with a large, sweeping flourish extending from the end of the name.

F. N. SCOTT, C.A.,
Provincial Auditor

Toronto, September 29, 1978.

MONTHLY SUMMARY OF BUDGETARY EXPENDITURE BY MINISTRY

Year ended March 31, 1978

(\$'000's)

(See Note 1)

EXHIBIT 2

MINISTRY	APRIL 1977	MAY 1977	JUNE 1977	JULY 1977	AUG. 1977	SEPT. 1977	OCT. 1977	NOV. 1977	DEC. 1977	JAN. 1978	FEB. 1978	MARCH 1978 (Note 2A)	TOTAL 1977-78
Office of the Lieutenant Governor	2 2.1%	4 4.2%	6 6.3%	12 12.5%	7 7.3%	7 7.3%	12 12.5%	5 5.2%	13 13.5%	NIL	10 10.4%	18 18.7%	96 100%
Office of the Assembly	1,077 3.6%	4,642 15.6%	7,824 26.3%	3,073 10.3%	1,369 4.6%	1,508 5.1%	1,017 3.4%	1,000 3.4%	2,052 6.9%	2,023 6.8%	2,005 6.7%	2,161 7.3%	29,751 100%
Office of the Premier	36 2.4%	97 6.4%	121 8.0%	122 8.0%	114 7.5%	173 11.4%	111 7.3%	93 6.1%	177 11.7%	99 6.5%	112 7.4%	262 17.3%	1,517 100%
Cabinet Office	26 2.9%	58 6.5%	73 8.2%	67 7.5%	56 6.2%	97 10.9%	65 7.3%	48 5.4%	94 10.5%	63 7.0%	69 7.7%	178 19.9%	894 100%
Management Board of Cabinet	869 11.1%	1,419 18.1%	784 9.9%	684 8.7%	(146) (1.9%)	1,152 14.6%	85 1.1%	413 5.3%	1,190 15.2%	62 .8%	880 11.2%	454 5.9%	7,846 100%
Office of Provincial Auditor	111 5.8%	114 6.0%	147 7.7%	139 7.3%	148 7.8%	206 10.8%	133 7.0%	130 6.8%	164 8.6%	140 7.3%	135 7.1%	340 17.8%	1,907 100%
Office of the Ombudsman	590 14.3%	295 7.1%	295 7.1%	250 6.0%	250 6.0%	380 9.2%	350 8.5%	300 7.3%	300 7.3%	300 7.3%	275 6.7%	544 13.2%	4,129 100%
Government Services	8,750 3.2%	28,949 10.7%	25,125 9.3%	14,500 5.3%	22,760 8.4%	19,157 7.1%	12,838 4.7%	22,955 8.5%	15,567 5.7%	20,759 7.6%	17,356 6.4%	62,644 23.1%	271,360 100%
Northern Affairs	99 .1%	3,623 3.2%	758 .7%	3,499 3.1%	6,340 5.6%	24,659 21.7%	14,092 12.4%	14,699 13.0%	10,967 9.7%	10,699 9.4%	5,093 4.5%	18,765 16.6%	113,293 100%
Revenue	11,611 6.0%	14,883 7.7%	14,641 7.5%	15,505 7.9%	15,593 8.0%	19,192 9.9%	16,429 8.4%	15,501 8.1%	15,759 8.5%	16,554 8.5%	15,564 8.0%	23,292 12.0%	194,524 100%
Treasury, Economics and Intergovernmental Affairs	71,612 4.3%	242,818 14.7%	124,357 7.5%	42,067 2.5%	206,669 12.5%	132,623 8.1%	146,841 8.9%	158,461 9.6%	136,699 8.3%	80,592 4.9%	76,309 4.6%	233,511 14.1%	1,652,559 100%
Justice Policy	NIL	32 7.5%	36 8.4%	35 8.2%	41 9.6%	48 11.2%	39 9.1%	38 8.8%	38 8.8%	25 5.8%	21 4.9%	76 17.7%	429 100%
Attorney General	12,662 9.8%	5,470 4.2%	10,354 8.0%	10,191 7.9%	9,696 7.5%	12,180 9.4%	10,222 7.9%	9,383 7.2%	10,145 7.8%	10,312 7.9%	9,990 7.7%	19,132 14.7%	129,737 100%
Consumer and Commercial Relations	1,420 2.2%	4,164 6.6%	4,720 7.4%	6,409 10.1%	5,492 8.7%	6,670 10.5%	4,354 6.9%	5,116 8.1%	5,203 8.2%	4,479 7.1%	4,737 7.5%	10,617 16.7%	63,381 100%
Correctional Services	4,974 4.0%	11,158 8.9%	12,069 9.6%	12,954 10.3%	12,903 10.3%	1,613 1.3%	7,311 5.8%	8,243 6.5%	9,304 7.4%	10,003 7.9%	16,620 13.2%	18,613 14.8%	125,765 100%

(See Note 2B)

(See Note 3)

MINISTRY	APRIL 1977	MAY 1977	JUNE 1977	JULY 1977	AUG. 1977	SEPT. 1977	OCT. 1977	NOV. 1977	DEC. 1977	JAN. 1978	FEB. 1978	MARCH 1978	TOTAL 1977-78
Solicitor General	4,121 2.7%	9,536 6.2%	12,055 7.9%	11,298 7.4%	11,730 7.7%	15,459 10.1%	11,398 7.5%	12,634 7.3%	13,450 8.8%	10,366 6.8%	11,713 8.3%	29,118 19.0%	152,878 100%
Resources Development Policy	66 2.1%	295 9.2%	354 11.1%	268 8.4%	296 9.2%	279 8.7%	254 7.9%	211 6.6%	231 7.2%	209 6.5%	200 6.3%	536 16.8%	3,199 100%
Agriculture and Food	2,795 1.6%	8,390 4.9%	9,204 5.4%	8,433 5.0%	7,792 4.6%	11,298 6.7%	8,177 4.8%	21,633 12.7%	38,006 22.4%	15,524 9.1%	11,127 6.6%	27,428 16.2%	169,807 100%
Energy	65 .9%	275 3.8%	301 4.1%	323 4.4%	352 4.8%	502 6.8%	463 6.3%	488 6.6%	553 7.5%	609 8.3%	565 7.7%	2,854 38.8%	7,350 100%
Environment	2,775 2.4%	9,857 8.7%	7,978 7.0%	7,026 6.2%	9,916 8.7%	8,830 7.9%	7,337 6.5%	6,613 5.8%	7,299 6.4%	6,825 6.0%	10,094 8.9%	28,929 25.5%	113,479 100%
Housing	1,141 .7%	11,845 6.9%	11,476 6.7%	21,956 12.8%	9,635 5.6%	12,124 7.0%	10,179 5.9%	8,249 4.8%	7,975 4.6%	57,707 33.6%	3,044 1.8%	16,458 9.6%	171,789 100%
Industry and Tourism	2,253 4.2%	3,631 6.8%	3,826 7.2%	3,392 6.4%	3,384 6.3%	3,414 6.4%	3,112 5.8%	6,530 12.2%	2,620 4.9%	4,689 8.8%	3,049 5.7%	13,513 25.3%	53,413 100%
Labour	881 3.0%	1,532 5.2%	2,201 7.5%	2,210 7.7%	2,301 7.8%	2,722 9.3%	2,168 7.4%	2,119 7.2%	2,248 7.7%	2,255 7.7%	2,689 9.2%	6,022 20.5%	29,348 100%
Natural Resources	17,444 7.2%	12,448 5.1%	22,416 9.2%	22,732 9.4%	28,733 11.9%	22,412 9.3%	16,938 7.0%	16,325 6.7%	14,268 5.9%	12,546 5.2%	12,794 5.3%	43,151 17.8%	242,207 100%
Transportation and Communications	106,787 10.3%	20,213 2.0%	76,126 7.3%	159,618 15.4%	71,135 6.9%	64,078 6.2%	59,805 3.8%	63,262 6.1%	74,079 7.2%	63,474 6.1%	51,623 5.0%	224,736 21.7%	1,034,936 100%
Social Development Policy	38 1.8%	135 6.4%	159 7.5%	429 20.3%	207 9.8%	(58) (2.7%)	176 8.3%	42 2.0%	188 8.9%	137 6.5%	121 5.7%	540 25.5%	2,114 100%
Colleges and Universities	34,217 2.7%	93,706 7.5%	96,851 7.7%	97,278 7.7%	96,613 7.7%	98,806 7.9%	104,839 8.3%	98,828 7.9%	99,801 7.9%	156,406 12.4%	102,315 8.1%	178,201 14.2%	1,257,861 100%
Community and Social Services	48,977 4.4%	63,930 7.5%	83,326 7.5%	83,532 7.5%	88,645 7.9%	130,159 11.7%	94,508 8.5%	90,501 8.1%	89,926 8.1%	90,493 8.1%	85,245 7.6%	166,716 14.1%	1,115,958 100%
Culture and Recreation	1,207 .6%	30,199 15.8%	18,778 9.8%	17,725 9.3%	14,226 7.4%	24,324 12.7%	12,367 6.5%	14,068 7.3%	11,851 6.2%	12,271 7.3%	13,874 7.3%	20,581 10.7%	191,471 100%
Education	310,679 13.3%	317,064 13.5%	312,087 13.3%	210,642 9.0%	47,563 2.0%	153,897 6.5%	151,562 6.5%	150,703 6.4%	165,996 7.1%	265,879 11.4%	51,054 2.2%	205,352 8.8%	2,342,378 100%
Health	201,327 5.5%	288,891 7.9%	300,136 8.2%	301,157 8.3%	294,746 8.1%	286,987 7.9%	292,589 8.0%	301,215 8.3%	305,397 8.4%	298,503 8.2%	296,137 8.1%	476,923 13.1%	3,644,108 100%
Total of Ministries	848,612 6.5%	1,189,673 9.1%	1,158,584 8.8%	1,057,526 8.1%	968,566 7.4%	1,054,898 8.0%	989,771 7.5%	1,029,806 7.8%	1,041,560 7.9%	1,154,003 8.8%	804,920 6.1%	1,831,565 14.0%	13,129,484 100%

(See Note 2B)

(See Note 2B)

(See Note 2B)

(See Note 2B)

(See Note 2B)

MONTHLY SUMMARY OF BUDGETARY EXPENDITURE BY MINISTRY

Year Ended March 31, 1978—Continued

NOTE 1: Expenditure figures are as recorded by the Financial Information and Accounting Policy Branch, Ministry of Treasury, Economics and Intergovernmental Affairs.

NOTE 2: Factors contributing to above average expenditure in March 1978 included the following:

A. General—In accordance with The Ministry of Treasury, Economics and Intergovernmental Affairs Act, 1972, payments made in April 1978 for goods and services received in the 1977-78 fiscal year were considered March 1978 expenditure and were charged to the appropriations of the 1977-78 fiscal year. This practice contributes to higher than average expenditure being recorded in March and lower than average expenditure being recorded in April.

Provincial employees are generally paid on a bi-weekly basis, approximately two weeks in arrears. Usually two payroll payments are made in each month. In March, 1978, however, three payroll payments were made (March 2, 16 and 30). Additionally, and consistent with our comments made in the first paragraph, payments for the pay date of April 13 (service period March 20-March 31) were recorded as March 1978 expenditure.

B. Government Services—Expenditure for Employee Benefits activity totalled \$53.8 million during the 1977-78 fiscal year. Of this amount, \$31.3 million in respect of the payment on the unfunded liability of the Public Service Superannuation Fund was recorded in March 1978.

Energy—Expenditure recorded in March 1978 included amounts totalling \$1.9 million in regard to services rendered on energy conservation projects. **Environment**—Grants to municipalities and payments to municipalities towards the cost of utility plant development and construction totalled \$25.7 million for the 1977-78 fiscal year. Of this amount, \$15.5 million was recorded in March 1978.

Industry and Tourism—Write-offs with respect to loans made under the Industrial Incentives and Development Program by the three Development Corporations aggregated \$5.7 million during the 1977-78 fiscal year. Of this amount, \$4.3 million was recorded as expenditure in March 1978.

Transportation and Communications—Expenditure for services in respect of research and development totalled \$25.1 million for fiscal year 1977-78. Of this amount, \$23.5 million was recorded as expenditure in March 1978. For further comments in this regard see page 411 of Volume 1 of the 1977-78 Public Accounts.

Social Development Policy—Total expenditure was \$2.1 million for the 1977-78 year, with approximately \$4 million being recorded in March 1978 for Other administrative accounts.

NOTE 3: Other matters of interest:

Management Board of Cabinet—Recoveries recorded for August 1977 exceeded expenditures by \$146,000 primarily because of Temporary Help Services recoveries totalling approximately \$2 million.

Social Development Policy—Expenditure incurred on behalf of the Ontario Youth Employment Program totalling approximately \$217,000 was recovered from the Ministry of Treasury, Economics and Intergovernmental Affairs in September 1977. This recovery exceeded expenditure for September 1977 by approximately \$58,000.

EXHIBIT 3

MANAGEMENT BOARD ORDERS

AMOUNTS AUTHORIZED AND EXPENDED THEREUNDER
DURING THE YEAR ENDED MARCH 31, 1978

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Office of The Premier			
	Office of The Premier Program:		
Feb. 14, 1978	Office of The Premier	15,700	14,195
		15,700	14,195
Management Board of Cabinet			
	Government Personnel Services Program:		
April 11, 1978	Staff Development Centre	37,000	25,709
April 18, 1978	Personnel Advertising Services	14,000	7,125
		51,000	32,834
Ministry of Government Services			
	Ministry Administration Program:		
Mar. 14, 1978	Financial Services	15,300	12,145
	Provision of Accommodation Program:		
Mar. 14, 1978	Program Administration	18,700	13,580
Mar. 14, 1978	Advisory Services	1,200	—
Mar. 14, 1978	Accommodation Alterations	11,600	—
Mar. 14, 1978	Real Property Management	4,100	—
	Supply and Services Program:		
Mar. 14, 1978	Supply Administration	30,600	30,600
Mar. 28, 1978	Supply Administration	21,000	4,016
Mar. 14, 1978	Collection Services	1,100	1,100
April 11, 1978	Collection Services	3,500	3,319
Mar. 14, 1978	Records Centre	800	—
April 11, 1978	Records Centre	1,200	—
Mar. 14, 1978	Insurance and Risk Management	600	—
Nov. 22, 1977	Protocol Services	227,800	227,800
Mar. 14, 1978	Protocol Services	17,000	17,000
Mar. 14, 1978	Protocol Services	5,000	4,887
Mar. 14, 1978	Employee Health Services	17,000	6,226
April 11, 1978	Employee Health Services	3,000	—
Mar. 14, 1978	Employee Advisory Services	7,900	4,223
		387,400	324,896

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Northern Affairs			
	Ministry Administration Program:		
Mar. 7, 1978	Main Office	101,000	98,890
Jan. 24, 1978	Information Services	391,000	390,351
	Regional Priorities and Development Program:		
Feb. 7, 1978	Rail and Ferry Services	750,000	749,010
		1,242,000	1,238,251
Ministry of Revenue			
	Ministry Administration Program:		
April 4, 1978	Main Office	69,300	37,823
April 4, 1978	Financial Services	84,500	51,439
April 4, 1978	Supply and Office Services	12,200	—
April 4, 1978	Personnel Services	16,800	4,054
April 4, 1978	Legal Services	10,000	4,861
	Administration of Taxes Program:		
April 4, 1978	Special Investigations	12,400	—
April 4, 1978	Revenue Research	5,000	—
April 4, 1978	Corporations Tax and Other Taxes	330,100	292,781
Mar. 28, 1978	Gasoline and Tobacco Tax	280,100	238,772
April 4, 1978	Retail Sales Tax and Other Taxes	163,200	146,125
	Municipal Assessment Program:		
April 4, 1978	Assessment Standards	18,700	—
April 4, 1978	Assessment Field Operations	841,000	167,788
		1,843,300	943,643
Ministry of Treasury, Economics and Intergovernmental Affairs			
	Ministry Administration Program:		
April 11, 1978	Supply and Office Services	56,000	42,050
April 11, 1978	Legal Services	10,000	7,177
	Economic Policy Program:		
April 11, 1978	Ontario Economic Council	33,500	32,496
	Intergovernmental Affairs Program:		
Mar. 28, 1978	Intergovernmental Affairs	194,000	155,204
		293,500	236,927

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of the Attorney General			
	Law Officer of the Crown Program:		
Feb. 14, 1978	Attorney General	31,000	27,536
Jan. 3, 1978	Deputy Attorney General	324,000	324,000
April 4, 1978	Deputy Attorney General	51,000	41,325
Jan. 3, 1978	Royal Commissions	668,000	667,962
	Administrative Services Program:		
April 11, 1978	Main Office	295,000	246,407
Feb. 14, 1978	Analysis, Research and Planning	26,000	25,913
Mar. 14, 1978	Analysis, Research and Planning	2,000	—
	Guardian and Trustee Services Program:		
April 4, 1978	Official Guardian	65,000	62,959
	Crown Legal Services Program:		
Mar. 14, 1978	Criminal Law Division	659,500	658,421
	Courts Administration Program:		
Mar. 14, 1978	Supreme Court of Ontario	330,500	315,948
Mar. 14, 1978	County, District and Small Claims Courts	383,700	319,467
April 11, 1978	County, District and Small Claims Courts	50,000	—
	Administrative Tribunals Programs:		
April 4, 1978	Criminal Injuries Compensation Board	45,000	31,329
		2,930,700	2,721,267
Ministry of Consumer and Commercial Relations			
	Ministry Administration Program:		
Mar. 28, 1978	Information Services	127,000	126,511
	Commercial Standards Program:		
Mar. 28, 1978	Companies	12,300	—
Mar. 28, 1978	Business Practices	54,500	26,833
Mar. 28, 1978	Commercial Registration Appeal Tribunal	2,000	1,722
	Technical Standards Program:		
Mar. 28, 1978	Energy	26,400	2,136
	Property Rights Program:		
	Regional Property Registration —		
Mar. 28, 1978	Branch 11	32,000	—
	Liquor License Program:		
Mar. 28, 1978	Liquor License Board of Ontario	295,200	103,841
	Rent Review Program:		
Mar. 14, 1978	Rent Review Board	295,900	291,524
Mar. 14, 1978	Administration	519,900	415,449
Mar. 14, 1978	Operations	2,128,900	2,042,737
		3,494,100	3,010,753

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Correctional Services			
	Ministry Administration Program:		
Mar. 14, 1978	Main Office	80,900	71,025
April 11, 1978	Main Office	10,200	—
April 11, 1978	Financial Services	69,600	—
Mar. 14, 1978	Supply and Office Services	60,300	60,300
April 11, 1978	Supply and Office Services	9,400	9,105
April 11, 1978	Personnel Services	90,800	88,750
Mar. 14, 1978	Information Services	13,000	13,000
April 11, 1978	Information Services	16,300	15,687
Mar. 14, 1978	Analysis, Research and Planning	25,600	—
April 11, 1978	Analysis, Research and Planning	26,400	—
Mar. 14, 1978	Audit Services	18,300	18,300
April 11, 1978	Audit Services	3,400	463
	Rehabilitation of Adult Offenders Program:		
April 11, 1978	General Administration	40,700	34,594
April 11, 1978	Care, Treatment and Training of Adult Offenders	1,484,100	1,472,706
April 11, 1978	Ontario Board of Parole	25,300	18,583
April 11, 1978	Community Services — Adults	537,700	511,019
		2,512,000	2,313,532
Ministry of the Solicitor General			
	Ministry Administration Program:		
Mar. 28, 1978	Supply and Office Services	7,000	—
Mar. 28, 1978	Legal Services	18,000	12,212
	Public Safety Program:		
Mar. 28, 1978	Centre of Forensic Sciences	10,000	—
Mar. 28, 1978	Fire Safety Services	55,000	47,026
Mar. 28, 1978	Coroners' Investigations and Inquests	38,000	36,646
	Supervision of Police Forces Program:		
Mar. 28, 1978	Ontario Police Commission	483,000	412,120
Mar. 28, 1978	Ontario Police College	125,000	46,747
	Management and Support Services Program:		
Mar. 28, 1978	Office of the Commissioner	27,000	26,306
Mar. 28, 1978	Staff Inspection	85,000	55,240
Mar. 28, 1978	Properties	165,000	154,191
Mar. 28, 1978	Planning and Research	175,000	174,744
Mar. 28, 1978	Transport	375,000	211,981
Mar. 28, 1978	Quartermaster Stores	45,000	24,144
	Operations Program:		
Mar. 28, 1978	Special Services	1,100,000	824,214
Mar. 28, 1978	Law Enforcement — Uniform	6,330,000	5,981,918
Mar. 28, 1978	Community Services	50,000	47,071
		9,088,000	8,054,560

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Resources Development Policy			
Feb. 21, 1978	Resources Development Policy Program: Royal Commission on Electric Power Planning	247,000	238,061
Ministry of Agriculture and Food			
Ministry Administration Program:			
Mar. 28, 1978	Financial Services	20,000	18,217
Mar. 28, 1978	Supply and Office Services	53,000	50,642
Mar. 28, 1978	Information Services	90,000	49,654
Mar. 28, 1978	Analysis, Research and Planning	31,000	24,634
Mar. 28, 1978	Legal Services	7,000	4,462
Mar. 28, 1978	Audit Services	9,000	4,915
Agricultural Production Program:			
Mar. 28, 1978	Administration	7,000	58
Mar. 28, 1978	Advisory Services	470,000	292,616
Mar. 28, 1978	Crop Insurance	10,000	—
Agricultural Marketing Program:			
Mar. 14, 1978	Marketing	1,000,000	929,764
Agricultural Education and Research Program:			
Mar. 28, 1978	Research	765,000	655,050
		2,462,000	2,030,012

Ministry of Energy

Ministry Administration Program:			
Mar. 28, 1978	Main Office	88,000	82,766
July 25, 1977	Experience '77	50,000	50,000
Mar. 28, 1978	Experience '77	6,100	1,363
Energy Policy Program:			
April 11, 1978	Policy Development	13,200	—
Regulatory Affairs Program:			
April 11, 1978	Natural Gas Regulation	37,900	35,243
		195,200	169,372

Ministry of the Environment

Ministry Administration Program:			
April 4, 1978	Information Services	19,000	19,000
April 18, 1978	Information Services	25,000	20,204
April 4, 1978	Analysis, Research and Planning	31,000	14,652
April 4, 1978	Legal Services	43,000	30,034
April 4, 1978	Audit Services	10,000	3,972
Feb. 14, 1978	Experience '77	100,000	82,873

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
	Environmental Assessment and Planning Program:		
April 4, 1978	Air Resources	360,000	331,959
April 4, 1978	Water Resources	263,000	104,411
April 4, 1978	Environmental Assessment Board	112,000	35,836
	Environmental Control Program:		
April 4, 1978	Municipal and Private Abatement	387,000	57,255
April 4, 1978	Laboratory and Technical Support	462,000	388,527
		1,812,000	1,088,723

Ministry of Industry and Tourism

	Ministry Administration Program:		
April 4, 1978	Main Office	47,000	18,260
April 4, 1978	Financial Services	19,000	14,589
April 4, 1978	Supply and Office Services	34,000	33,637
April 4, 1978	Personnel Services	16,000	9,661
April 4, 1978	Information Services	53,000	44,627
Feb. 21, 1978	Audit Services	32,000	23,659
	Policy and Priorities Program:		
April 4, 1978	Program Administration	28,000	23,378
April 4, 1978	Strategic Planning	28,000	14,856
	Industry and Trade Development Program:		
April 4, 1978	Domestic Industry Development	134,500	134,170
April 4, 1978	Ontario House	124,000	97,858
April 4, 1978	International Industry and Trade Development	103,000	52,775
	Tourism Development Program:		
April 4, 1978	Program Administration	3,000	10
April 4, 1978	Tourism Marketing Development	281,000	265,404
Feb. 21, 1978	Tourism Field Operations	213,000	203,824
	Small Business Development Program:		
April 4, 1978	Ontario Operations	87,000	—
		1,202,500	936,708

Ministry of Labour

	Ministry Administration Program:		
April 11, 1978	Personnel Services	7,600	—
April 11, 1978	Legal Services	11,000	9,786
	Occupational Health and Safety Program:		
April 11, 1978	Occupational Health and Safety Inspection	278,900	276,612
	Ontario Manpower Co-Ordinating Committee Program:		
April 11, 1978	Ontario Manpower Co-Ordinating Committee	6,800	4,089

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
April 4, 1978	Human Rights Commission Program:		
April 11, 1978	Office of The Chairman	50,000	46,487
	Human Rights	27,400	6,387
April 11, 1978	Labour Relations Board Program:		
	Labour Relations Board	149,400	121,323
		531,100	464,684

Ministry of Natural Resources

	Ministry Administration Program:		
April 11, 1978	Main Office	75,000	—
Mar. 28, 1978	Financial Services	221,400	211,957
April 11, 1978	Audit Services	25,000	4,911
Mar. 28, 1978	Field Offices	886,200	881,781
April 11, 1978	Field Offices	155,000	—
	Land Management Program:		
Feb. 14, 1978	Air Service	550,000	550,000
Mar. 14, 1978	Air Service	1,350,500	1,037,642
Jan. 10, 1978	Extra Fire Fighting	150,000	117,468
Mar. 28, 1978	Resource Access	91,300	—
Dec. 20, 1977	Land, Water and Mineral Title Administration	785,000	785,000
Mar. 22, 1978	Land, Water and Mineral Title Administration	9,600,000	9,600,000
Mar. 28, 1978	Land, Water and Mineral Title Administration	542,450	542,450
April 11, 1978	Land, Water and Mineral Title Administration	145,000	43,302
Mar. 22, 1978	Conservation Authorities	881,100	881,100
April 11, 1978	Conservation Authorities	180,000	24,208
	Outdoor Recreation Program:		
Mar. 28, 1978	Recreational Areas	961,900	961,900
April 18, 1978	Recreational Areas	290,000	194,473
April 11, 1978	Fish and Wildlife	131,300	129,408
Mar. 28, 1978	St. Lawrence Parks Commission	50,200	—
April 11, 1978	St. Lawrence Parks Commission	55,000	—
	Resource Products Program:		
April 11, 1978	Mineral Management	168,300	82,755
April 11, 1978	Forest Management	25,600	—
Feb. 28, 1978	Commercial Fish and Fur	148,000	148,000
April 11, 1978	Commercial Fish and Fur	62,100	27,346
	Resource Experience Program:		
April 11, 1978	Junior Rangers	475,000	475,000
April 18, 1978	Junior Rangers	165,000	164,693
April 11, 1978	Youth Corps (Experience '77)	100,000	69,473
April 11, 1978	Leslie M. Frost Natural Resources Centre	35,000	9,242
		18,305,350	16,942,109

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Transportation and Communications			
	Ministry Administration Program:		
April 11, 1978	Main Office	250,000	91,721
April 11, 1978	Legal Services	65,000	—
April 11, 1978	Audit Services	95,000	53,866
	Safety and Regulation Program:		
April 4, 1978	Program Administration	220,000	149,574
April 11, 1978	Licensing	870,000	464,046
	Provincial Roads Program:		
April 11, 1978	Program Administration	250,000	90,051
April 11, 1978	Design	830,000	291,159
April 11, 1978	Maintenance	3,200,000	1,985,143
	Provincial Transit Program:		
Feb. 14, 1978	Operations	2,500,000	2,500,000
April 11, 1978	Operations	125,000	123,998
	Air Program:		
April 11, 1978	Maintenance	170,000	114,644
	Municipal Roads Program:		
April 11, 1978	Program Administration	105,000	83,179
April 11, 1978	Capital, Construction and Maintenance ..	3,000,000	2,739,057
	Municipal Transit Program:		
April 11, 1978	Program Administration	25,000	8,906
	Communications Program:		
April 11, 1978	Program Administration	80,000	31,420
		11,785,000	8,726,764

Social Development Policy

	Social Development Policy Program:		
April 18, 1978	Social Development Policy	12,000	6,668
		12,000	6,668

Ministry of Colleges and Universities

	Ministry Administration Program:		
Mar. 28, 1978	Personnel Services	17,000	16,875
		17,000	16,875

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Ministry of Community and Social Services			
	Ministry Administration Program:		
Mar. 28, 1978	Main Office	197,300	117,770
Mar. 28, 1978	Legal Services	15,200	14,043
	Developmental Resources Program:		
April 18, 1978	Facility Services	189,900	189,900
Mar. 28, 1978	Facility Services	770,900	756,437
	Child Services Program:		
Mar. 28, 1978	Child Welfare and Health Services	104,877,900	94,025,840
		106,051,200	95,103,990

Ministry of Culture and Recreation

	Ministry Administration Program:		
Mar. 7, 1978	Main Office	254,000	232,294
April 11, 1978	Information Services	28,700	4,280
April 11, 1978	Legal Services	10,000	3,994
April 11, 1978	Field Services	75,000	66,630
	Heritage Conservation Program:		
April 11, 1978	Archives	41,900	32,121
April 11, 1978	Old Fort William	169,000	109,170
	Arts Support Program:		
April 11, 1978	Ontario Science Centre	139,300	128,726
	Multicultural Support and Citizenship Program:		
April 11, 1978	Translation Services	25,900	1,161
	Libraries and Community Information Program:		
April 11, 1978	Community Information	12,000	—
Mar. 7, 1978	Experience '77	211,800	142,605
		967,600	720,981

Ministry of Education

	Ministry Administration Program:		
Mar. 14, 1978	Main Office	610,100	590,655
April 11, 1978	Personnel Services	10,000	8,835
April 11, 1978	Legal Services	5,000	4,092
April 11, 1978	Audit Services	4,000	1,380
	Education Program:		
Mar. 14, 1978	Curriculum	2,402,000	2,241,755
Mar. 14, 1978	Schools for the Blind and Deaf	1,104,000	1,104,000
April 11, 1978	Schools for the Blind and Deaf	58,000	22,373
Jan. 30, 1978	Educational Programs in the Developmental Centres Schools	1,491,000	1,193,813

DATE OF ORDER	MINISTRY PROGRAM AND ACTIVITY	AUTHORIZED	EXPENDED
		\$	\$
Mar. 14, 1978	Professional Development	532,200	324,151
April 11, 1978	Student Activities and Special Projects	240,000	206,841
	Services to Education Program:		
April 4, 1978	Teachers' Superannuation Commission	36,800	36,720
		6,493,100	5,734,615
Ministry of Health			
	Ministry Administration and Health Insurance Program:		
April 11, 1978	Personnel Services	2,000	—
April 11, 1978	Legal Services	12,600	3,566
April 11, 1978	Audit Services	166,100	132,394
	Institutional Health Services Program:		
April 11, 1978	Psychiatric Services	1,657,000	—
April 11, 1978	Institutional Care Services	95,100	—
		1,932,800	135,960
Total Management Board Orders		173,871,550	151,206,380

EXHIBIT 4

STATUTORY APPROPRIATIONS

AMOUNTS EXPENDED THEREUNDER
DURING THE YEAR ENDED MARCH 31, 1978

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Office of The Assembly	The Election Act	Expenditure	12,105,043
	Contribution to Legislative Assembly		
	Retirement Allowances Account	Expenditure	338,464
			12,443,507
Office of The Premier	Premier's Salary	Expenditure	25,000
Management Board of Cabinet	Minister's Salary	Expenditure	18,000
	Reserve for outstanding cheques	Charge	496
			18,496
Office of Provincial Auditor	Provincial Auditor's Salary	Expenditure	51,552
Ministry of Government Services	Minister's Salary	Expenditure	13,562
	Ministers without Portfolio Salaries	Expenditure	7,500
	Contract security deposits	Charge	179,145
	Effingham Park Expropriation Trust Account	Charge	326,731
	Ontario Housing Corporation — Land Maintenance	Charge	333,210
	Ontario Land Corporation — Land Maintenance	Charge	360,212
	Reserve for outstanding cheques	Charge	10,015
	Government Stationery Account	Expenditure	139,103
	Employee Benefits (Government Contributions)	Expenditure	340,979
			1,710,457
Ministry of Northern Affairs	Minister's Salary	Expenditure	18,000
Ministry of Revenue	Minister's Salary	Expenditure	18,000
	Retail Sales Tax — Contract security deposits	Charge	25,185
	Province of Ontario Savings Office Program	Expenditure	3,064,233
			3,107,418

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Treasury, Economics and Intergovern- mental Affairs	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	<i>Public Debt</i>		
	Interest on Ontario Securities		
	Public Issues		
	For general purposes	Expenditure	119,588,919
	On behalf of Ontario Hydro	Expenditure	209,332,016
	Non Public Issues		
	Canada Pension Plan Investment Fund	Expenditure	492,386,652
	Teachers' Superannuation Fund	Expenditure	165,809,490
	Ontario Municipal Employees' Retirement Fund	Expenditure	87,638,308
	Other	Expenditure	17,486,664
	Interest on Public Service Superannuation Fund	Expenditure	93,302,788
	Interest on Province of Ontario Savings Office Deposits	Expenditure	22,915,884
	Other interest, exchange, discount and commission	Expenditure	33,762,628
	<i>Development Loans</i>		
	The Ontario Education Capital Aid Corporation	Disbursement	80,992,000
	The Ontario Universities Capital Aid Corporation	Disbursement	33,942,433
	The Ontario Municipal Improvement Corporation	Disbursement	2,952,000
	The Ontario Land Corporation	Disbursement	4,100,000
	<i>Other Loans and Advances</i>		
	Ontario Hydro, The Power Corporation Act	Disbursement	450,000,000
	The Crop Insurance Commission of Ontario	Disbursement	8,400,000
	<i>Pension Funds, Deposit, Trust, and Reserve Accounts</i>		
	Payments from Public Service Superannuation Fund	Charge	57,162,799
	Payments from Superannuation Adjustment Fund:		
	Public Service Superannuation Fund	Charge	954,293
	Teachers' Superannuation Plan	Charge	1,205,336
	Retirement Pension Plan of Ryerson Polytechnical Institute	Charge	1,507
	Payments from Legislative Assembly Retirement Allowance Account	Charge	629,551
	Payments from Ontario Energy Trust Account	Charge	32,926,670
	Other	Charge	956,635
	<i>Payments in lieu of taxes</i>		
	The Whirlpool Rapids Bridge Act	Expenditure	36,000
	The Lewiston-Queenston Bridge Act	Expenditure	20,000
	Loans to municipalities under The Shoreline Property Assistance Act, 1973	Disbursement	488,720
	Ontario Youth Employment Program	Expenditure	10,546,532

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Treasury, Economics and Intergovern- mental Affairs (Cont'd)	Debt Transactions	Retirements of Loans	137,920,247
			2,065,481,072
Ministry of the Attorney General	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,644
	Reserve for outstanding cheques	Charge	715
	Proceedings against The Crown Act	Expenditure	1,274
	Allowances to Supreme Court Judges	Expenditure	166,937
	Allowances to Judges	Expenditure	362,608
			554,178
Ministry of Consumer and Commercial Relations	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Payments from The Motor Vehicle Accident Claims Fund	Charge	18,137,466
	Security Bond Forfeitures		
	The Collection Agencies Act	Charge	15,000
	The Consumer Protection Act	Charge	40,000
	The Motor Vehicle Dealers Act	Charge	80,000
	The Real Estate and Business Brokers Act	Charge	44,300
	Fees under The Vital Statistics Act	Expenditure	422
			18,340,188
Ministry of Correctional Services	Minister's Salary	Expenditure	13,562
	Bequests and scholarships	Charge	107
	Unclaimed monies	Charge	698
	Reserve for outstanding cheques	Charge	406
			14,773
Ministry of the Solicitor General	Minister's Salary	Expenditure	18,000
	Hearings under The Police Act	Expenditure	241
	Payments under The Ministry of Treasury, Economics and Intergovernmental Affairs Act	Expenditure	6,123
	Cloud II Payments	Charge	1,330
			25,694
Resources Development Policy	Minister's Salary	Expenditure	18,000

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Agriculture and Food	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Payment of Guarantees	Expenditure	2,261,699
	Subsidy payments to The Ontario Crop Insurance Fund	Expenditure	7,039,279
	Tile Drainage Debentures	Disbursement	18,772,400
	Bequests and scholarships	Charge	933
	Ontario Agricultural Museum Trust Fund	Charge	9,067
			28,106,378
Ministry of Energy	Minister's Salary	Expenditure	18,000
Ministry of the Environment	Minister's Salary	Expenditure	18,000
	Provincial Lottery Trust Fund	Charge	708,440
	Reserve Fund for Renewals, Replacements and Contingencies	Charge	1,187,082
	Sinking Fund for Recovery of the Cost of Capital Assets	Charge	662,293
			2,575,815
Ministry of Housing	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Grants to assist in the erection of housing units for elderly persons	Expenditure	150,000
			173,000
Ministry of Industry and Tourism	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	2,630
	Ontario Development Corporation Term Loan Program	Disbursement	17,223,083
	Northern Ontario Development Corporation Term Loan Program	Disbursement	9,317,263
	Eastern Ontario Development Corporation Term Loan Program	Disbursement	15,355,831
			41,916,807
Ministry of Labour	Minister's Salary	Expenditure	18,000
	Reserve for outstanding cheques	Charge	5,588
	Provincial Lottery Trust Fund	Charge	999,116
	Mine Rescue Training	Expenditure	67,392
	Employment Standards		
	Unclaimed vacation-with-pay	Charge	4,376
	Unclaimed wages	Charge	110,226
			1,204,698

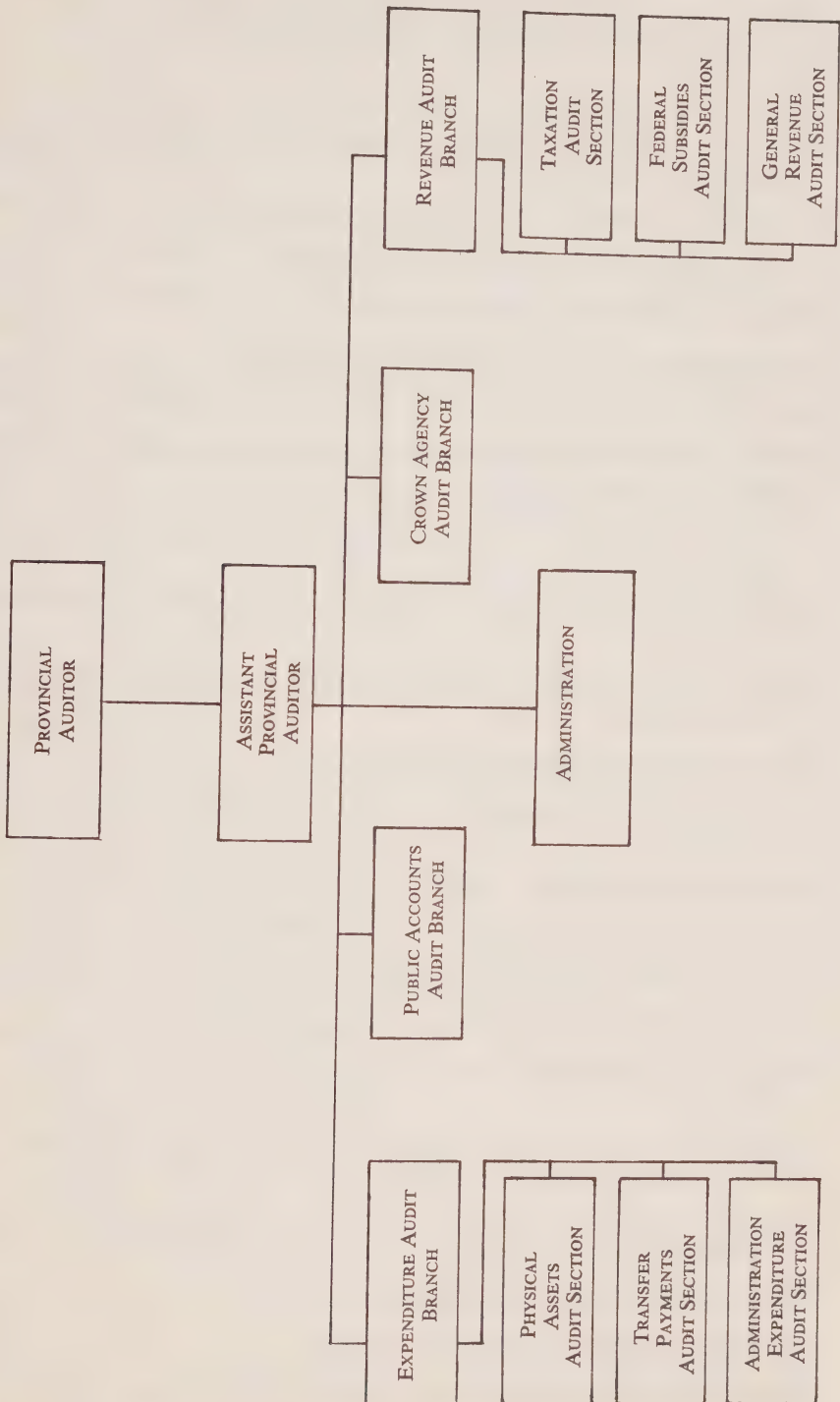
MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Natural Resources	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Contract security deposits	Charge	108,184
	Reserve for outstanding cheques	Charge	653
	Grants in Accordance with The Algonquin Forestry Authority Act	Expenditure	30,000
	Loans in Accordance with The Algonquin Forestry Authority Act	Disbursement	250,000
	Pits and Quarries security deposits	Charge	223,850
			635,687
Ministry of Transportation and Communica- tions	Minister's Salary	Expenditure	18,000
	Parliamentary Assistants' Salaries	Expenditure	5,000
	City of Niagara Falls — Compensation for loss of Taxes	Expenditure	12,000
	<i>Trust Accounts</i>		
	Construction trust account	Charge	96,954
	Contract security deposits	Charge	2,000
			133,954
Social Development Policy	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
			23,000
Ministry of Colleges and Universities	Minister's Salary	Expenditure	18,000
	Reserve for outstanding cheques	Charge	183
	Queen Elizabeth II Ontario Scholarship Fund	Charge	29,898
			48,081
Ministry of Community and Social Services	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	603
	Bequests and scholarships	Charge	320
			18,923
Ministry of Culture and Recreation	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,186
	Ontario Olympic Lottery Sports Fund	Charge	1,387,348
	Contract security deposits — Athletics Commissioner	Charge	16,300
			1,425,834

MINISTRY	ACTIVITY	PAYMENT CLASSIFICATION	EXPENDED
			\$
Ministry of Education	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	5,000
	Bequests and scholarships	Charge	19,969
	Student Aid Loans Write-off	Expenditure	9,531
	Ontario Education Association — Elementary Teachers' Loan Fund	Charge	765
	Teachers' Superannuation Fund	Expenditure	109,017,608
	Superannuation Adjustment Fund	Expenditure	21,584,772
	Superannuation Adjustment Benefits	Expenditure	16,432,932
			<hr/> 147,088,577
Ministry of Health	Minister's Salary	Expenditure	18,000
	Parliamentary Assistant's Salary	Expenditure	4,630
	Reserve for outstanding cheques	Charge	16,873
	Government Pharmacy	Expenditure	365,096
	Provincial Lottery Trust Fund	Charge	6,000,000
	Bequests	Charge	1,250
			<hr/> 6,405,849
Total Statutory Payments			<hr/> 2,331,582,938 <hr/>

Summary of Statutory Payments

	\$
Budgetary Expenditure	1,426,885,486
Disbursements	641,793,730
Charges	124,983,475
Retirements of Loans	137,920,247
	<hr/> 2,331,582,938 <hr/>

EXHIBIT 5

ORGANIZATION CHART
OFFICE OF PROVINCIAL AUDITOR

**OFFICE OF THE PROVINCIAL AUDITOR
REVENUE AND EXPENDITURE AUDITS
Year Ended March 31, 1978**

(See Note)

Revenue and Trust Funds, Ridgetown College of Agricultural Technology, Ministry of Agriculture and Food

Administrative Expenditure, Ministry of Agriculture and Food

Revenue and Expenditure, Civil Service Commission

Revenue, Ministry of Colleges and Universities

Transfer Payments, Ministry of Colleges and Universities

Administrative Expenditure, Ministry of Colleges and Universities

Revenue and Trust Funds, Southwestern Regional Centre, Ministry of Community and Social Services

Revenue and Trust Funds, Brookside School, Ministry of Community and Social Services

Revenue and Trust Funds, Oxford Regional Centre, Ministry of Community and Social Services

Revenue and Trust Funds, Kawartha Lakes School, Lindsay, Ministry of Community and Social Services

Revenue, Ministry of Community and Social Services

Revenue and Trust Funds, Prince Edward Heights, Ministry of Community and Social Services

Administrative Expenditure, Ministry of Community and Social Services

Transfer Payments, Ministry of Community and Social Services

Revenue, Ministry of Consumer and Commercial Relations

Expenditure, Ministry of Consumer and Commercial Relations

Revenue and Trust Funds, Mimico Correctional Centre, Ministry of Correctional Services

Review of Procedures of Salary Payments to Teachers Employed at Adult Institutions, Ministry of Correctional Services

Revenue and Trust Funds, Millbrook Correctional Centre, Ministry of Correctional Services

Revenue, Ministry of Correctional Services

Expenditure, Ministry of Correctional Services

Administrative Expenditure, Ministry of Culture and Recreation

- Transfer Payments and Acquisition/Construction of Physical Assets, Ministry of Culture and Recreation
- Review of Printing and Duplicating Facilities and Procedures, Ministry of Education
- Revenue and Trust Funds, The Sir James Whitney School, Ministry of Education
- Administrative Expenditure, Ministry of Education
- Expenditure, Ministry of Energy
- Revenue, Ministry of the Environment
- Administrative Expenditure and Transfer Payments, Ministry of Government Services
- Revenue and Trust Funds, Mental Health Centre, Penetanguishene, Ministry of Health
- Revenue and Trust Funds, St. Thomas Psychiatric Hospital, Ministry of Health
- Revenue and Trust Funds, Lakehead Psychiatric Hospital, Ministry of Health
- Administrative Expenditure, Ministry of Health
- Revenue and Trust Funds, Dr. MacKinnon Phillips Hospital, Ministry of Health
- Revenue, Ministry of Health
- Expenditure, Ministry of Industry and Tourism
- Expenditure, Ministry of Labour
- Expenditure, Ontario Human Rights Commission, Ministry of Labour
- Revenue and Expenditure, Management Board of Cabinet
- Transfer Payments, Ministry of Natural Resources
- Revenue, Ministry of Natural Resources
- Revenue Collected under The Gasoline Tax Act, 1973, The Motor Vehicle Fuel Tax Act and The Tobacco Tax Act, Ministry of Revenue
- Transfer Payments, Ministry of Revenue
- Revenue, Ministry of the Solicitor General
- Expenditure, Ministry of the Solicitor General
- Revenue, Registrar of Motor Vehicles, Ministry of Transportation and Communications
- Administrative Expenditure, Ministry of Transportation and Communications
- Acquisition/Construction of Physical Assets, Ministry of Transportation and Communications
- Transfer Payments and Disbursements, Ministry of Transportation and Communications

Revenue, Ministry of Transportation and Communications

Transfer Payments and Acquisition/Construction of Physical Assets, Ministry of Treasury, Economics and Intergovernmental Affairs

Expenditure, Ontario Youth Employment Program, 1977, Ministry of Treasury, Economics and Intergovernmental Affairs

Review of Management by Results Agreement and Report, Ontario Racing Commission

Expenditure, Royal Commission on Electric Power Planning, Resources Development Policy

Computer Control Evaluations—Various Ministries (9) and Agencies (2)

NOTE: In general, this listing includes audits completed between the date (September 30, 1977) of our 1976-77 Report and the date (September 29, 1978) of our 1977-78 Report. In all cases, at least a portion of the period covered by the audit fell within the year ended March 31, 1978.

EXHIBIT 7

**OFFICE OF THE PROVINCIAL AUDITOR
CROWN AGENCY AUDITS****Year Ended March 31, 1978***(See Note 1)*

- (a) Audited by Provincial Auditor pursuant to appointment under the various related statutes.

The Accountant of the Supreme Court of Ontario
Agricultural Rehabilitation and Development Directorate of Ontario
Alcoholism and Drug Addiction Research Foundation
*Algonquin Forestry Authority
The Centennial Centre of Science and Technology
Commission on Election Contributions and Expenses
*The Crop Insurance Commission of Ontario
*Eastern Ontario Development Corporation
Farm Income Stabilization Commission of Ontario (established in 1977-78)
The Fund for Milk and Cream Producers, The Milk Commission of Ontario
The John Graves Simcoe Memorial Foundation
The Law Society of Upper Canada, Legal Aid Fund
*Liquor Control Board of Ontario
The McMichael Canadian Collection
*The Niagara Parks Commission (October 31, 1977)
*Northern Ontario Development Corporation
*North Pickering Development Corporation
Office of the Assembly
Office of the Official Guardian
Office of the Ombudsman
Ontario Agricultural Museum
The Ontario Cancer Treatment and Research Foundation
Ontario Deposit Insurance Corporation (December 31, 1977)
*Ontario Development Corporation
*The Ontario Education Capital Aid Corporation
The Ontario Educational Communications Authority
*Ontario Food Terminal Board
The Ontario Heritage Foundation
*Ontario Housing Corporation (December 31, 1977)
*The Ontario Junior Farmer Establishment Loan Corporation
*Ontario Lottery Corporation
*The Ontario Municipal Improvement Corporation
*Ontario Northland Transportation Commission (December 31, 1977)
*Ontario Place Corporation
The Ontario Producers, Processors, Distributors and Consumers Food Council
Ontario Racing Commission
Ontario Stock Yards Board (June 30, 1978)
*Ontario Student Housing Corporation (December 31, 1977)

The Ontario Telephone Development Corporation (December 31, 1977)

*The Ontario Universities Capital Aid Corporation

Pension Commission of Ontario

Province of Ontario Council for the Arts

Public Service Superannuation Fund

The Public Trustee of The Province of Ontario

The Sheridan Park Corporation

The St. Lawrence Parks Commission

Superannuation Adjustment Fund

(b) Audited by Provincial Auditor pursuant to appointment by shareholders or membership bodies.

*Ontario Mortgage Corporation

Ontario Industrial Training Institute

The Owen Sound Transportation Company, Limited (December 31, 1977)

Soldiers' Aid Commission

Star Transfer Limited (December 31, 1977)

(c) Audited by Provincial Auditor pursuant to the provisions of The Audit Act. Legislative Assembly Retirement Allowances Account

Liquor Licence Board

Motor Vehicle Accident Claims Fund

Niagara Escarpment Commission

The Province of Ontario Savings Office

(d) Audited by Public Accountants subject to direction or review by the Provincial Auditor.

*Ontario Land Corporation

*Toronto Area Transit Operating Authority

*Workmen's Compensation Board (December 31, 1977)

*Audited financial statements reproduced in Volume 2 of the Public Accounts 1977-78.

Note 1: In all cases the audit covered the fiscal period of the Agency concerned. In most instances the fiscal period ended on March 31, 1978. Where the Agency's fiscal period ended on a date other than March 31, 1978, such date has been indicated in parenthesis.

Note 2: The Canadian Conference on Historical Resources was formerly listed under section (b) of this Exhibit. Since the new Secretary-Treasurer of the Conference is from the Province of New Brunswick, the audit responsibility has been transferred to that Province.

(See Note)

STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS
AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT

REPORT SECTION

CAPTION

Ministry of Agriculture and Food

1976-77 59

Ontario Beef Calf Income Stabilization Program.

Status to be verified at time of next audit in this area.

Ministry of the Attorney General

1976-77 61

Automobile transportation costs.

a) Although no formal policy established re limousine service, Ministry considers this type of transportation to be necessary for various reasons, and has advised that it closely monitors such expenditure.

b) Second study performed by Ministry re costs of leasing vs. ownership of automobiles in question indicated leasing to be more economical.

Ministry of Colleges and Universities

1975-76 90

Improved controls recommended, Ontario Student Assistance Program.

Partially implemented at time of most recent audit—see further comment in section 49 of 1977-78 Report.

1975-76 91

Ineffectiveness of planning and statistical systems.

Implemented.

1975-76 93

Venture capital program.

Partially implemented. Area will be reviewed further in future audits.

1976-77 64

Observations re travel expense claims.

Substantially implemented.

1976-77 65

Poor administration, Ontario Career Action Program.

Substantially implemented.

Ministry of Community and Social Services

1975-76 94

Administrative weaknesses re termination of employees.

Implemented.

1975-76 95

Overpayment of Allowances under The Family Benefits Act.

Substantially implemented.

1976-77 66

Agreements recommended re purchase of rehabilitation service arrangements.

Not implemented at time of most recent audit—see further comment in section 50 of 1977-78 Report.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED
IN THE PROVINCIAL AUDITOR'S PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
1976-77	67	Ministry of Consumer and Commercial Relations Unreconciled fee revenue.	All fees received subsequent to November 1, 1976 are now subject to ongoing reconciliations.
1976-77	68	Ministry of Correctional Services Lack of formal authority for arrangements under temporary absence program.	Partially implemented. Area will be reviewed further in future audits.
1975-76	98	Ministry of Culture and Recreation Absence of regulatory authority for grant payments.	Situation unchanged; however, Ministry is generally making criteria for grant payments public in the form of formal Ministry publications.
1975-76	100	Meal and accommodation costs.	Implemented.
1976-77	69	Observations re inventories of saleable merchandise at historical sites.	Status to be verified at time of next audit in this area.
1976-77	75	Ministry of the Environment Board members' fees and expenses.	Status to be verified at time of next audit in this area.
1976-77	77	Improved procedures recommended re Provincial sewage works project.	Status to be verified at time of next audit in this area.
1974-75	99	Ministry of Government Services Accounts receivable re the recovery of prior years' expenditure.	Implemented.
1976-77	78	Non-recovery of cost of electrical power supplied to Federally-owned airport.	In process of implementation at time of our most recent review of this area in April 1978.
1976-77	79	Overdrawn balances in publications deposit trust account.	In process of implementation at time of our most recent review of this area in March 1978.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN THE PROVINCIAL AUDITOR'S PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT			
REPORT	SECTION	CAPTION	
1976-77	100	Poor control over use of long distance telephone facilities.	A new section of the Ontario Manual of Administration (65-10) was issued in January 1978, setting out procedures for control of the use of long distance telephone services. Adherence thereto will be monitored in future Ministry and agency audits, and any significant deviations will be included in our annual reports to the Legislature.
Ministry of Health			
1975-76	109	Incomplete control over industrial therapy workshop expenditures, Kingston Psychiatric Hospital.	Status to be verified at time of next audit in this area.
1975-76	110	Insufficient monitoring of service verification letter program, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.
1975-76	113	Possible loss of premium revenue, Ontario Health Insurance Plan.	a) In August 1978, the Ministry advised a computer program had been written to generate on a monthly basis, assessment code usage analysis, which will identify the accumulated J-8 activity by District. b) Ministry considers present method of premium recovery for uninsured persons receiving medical services to be adequate. In August 1978, the Ministry advised that it preferred to retain the present system; alternative considered impracticable.
1975-76	115	Subrogation recoveries, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.
1975-76	116	Substantial payments to insured persons re psychotherapy services, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.
1976-77	82	Apparent shortage in laundry and linen inventory, Queen Street Mental Health Centre.	Status to be verified at time of next audit in this area.
1976-77	83	Control evaluation of computer systems, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.
1976-77	84	Delinquent settlements with Federal hospitals, Ontario Health Insurance Plan.	Status to be verified at time of next audit in this area.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED
IN THE PROVINCIAL AUDITOR'S PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
1976-77	85	Excess costs in public hospitals, Ontario Health Insurance Plan.	Implementation re recoveries in process.
		Ministry of Housing	
1976-77	87	Regulations recommended re establishment of programs.	Matter was considered but it was decided to continue the present practice.
1976-77	88	Status of advances not maintained, Ontario Home Renewal Program.	Implemented.
		Ministry of Industry and Tourism	
1975-76	117	Waiver of licensing requirements.	Status to be verified at time of next audit in this area.
		Ministry of Labour	
1975-76	118	Improvements recommended in inventory control.	Implemented.
		Management Board of Cabinet	
1976-77	89	Establishment of policy recommended re remote data processing facilities.	Status to be verified at time of next audit in this area.
		Ministry of Natural Resources	
1975-76	119	Apparent under-utilization of aircraft.	Ministry has advised us that, based on a number of reviews of the fleet operation, they are satisfied that aircraft utilization is reasonable. Regarding the one leased aircraft, the Ministry is seriously considering exercising the purchase option at the end of the current season.
			Status to be verified at time of next audit in this area.
1976-77	91	Administrative improvements warranted.	
		Office of the Premier and Resources Development Policy	
1976-77	92	Absence of contractual arrangements.	Implemented.

**STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED
IN THE PROVINCIAL AUDITOR'S PREVIOUS ANNUAL REPORTS—CONTINUED**

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
1976-77	93	Ministry of Revenue Additional verification procedures recommended, Ontario Tax Credit System.	In its June 1978 Report to the Legislature, the Standing Public Accounts Committee recommended that supporting documents should accompany the income tax form to indicate that the tax credits in fact are warranted. See Exhibit 9. Status of this recommendation will be reported next year. Status to be verified at time of next audit in this area.
1976-77	94	Evaluation of the effectiveness of the land speculation tax self-assessment tax system.	
1975-76	121	Ministry of the Solicitor General Recommendation re Ontario Police College Library Fund.	Not implemented at time of most recent audit—see further comment in section 74 of 1977-78 Report.
1974-75	125	Ministry of Transportation and Communications Refund policy not consistent with Legislation.	Not implemented—on May 18, 1978 the Deputy Minister advised that "the Ministry proposed a regulation on refunds to Cabinet and the proposal was rejected on the principle that refunds should be Government policy rather than Ministry policy". Substantially implemented.
1975-76	122	Costs not yet recovered.	Implemented.
1975-76	123	Delayed settlement of amount recoverable under Go Transit bus service agreement.	Implemented.
1975-76	124	Lack of adequate control procedures re licensing of motor vehicle inspection stations.	
1976-77	98	Control evaluation of computer systems, Registrar of Motor Vehicles.	Status to be verified at time of next audit in this area.
1976-77	111	Crown Agencies Commission on Election Contributions and Expenses—statutory vs. voted appropriations.	Implemented.

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN THE PROVINCIAL AUDITOR'S PREVIOUS ANNUAL REPORTS—CONTINUED

(See Note)

REPORT	SECTION	CAPTION	STATUS OF CORRECTIVE ACTION AND RECOMMENDATIONS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
1976-77	112	The Centennial Centre of Science and Technology—administrative changes recommended.	Substantially implemented.
1976-77	113	Office of the Ombudsman—procedural improvements recommended.	Implemented.
1976-77	114	Ontario Housing Corporation—improvements recommended.	Substantially implemented—see further comment in section 99 of 1977-78 Report.
1976-77	115	Ontario Land Corporation—operational improvements recommended.	Implemented.
1976-77	116	Ontario Northland Transportation Commission—labour utilization study and audit recommendations.	Implemented.
1976-77	117	Ontario Place Corporation—weaknesses in internal control.	Implemented.
1976-77	118	The Province of Ontario Savings Office.	Partially implemented—any significant recurring overdrafts will be commented on in our annual reports to the Legislature.
1976-77	119	Soldiers' Aid Commission—Questionable need for grants received.	Implemented.
1976-77	120	Star Transfer Limited—improvements recommended.	Implemented.
1976-77	121	Workmen's Compensation Board—procedural recommendations.	Substantially implemented.

NOTE: This Exhibit provides the status on all suggested corrective action and recommendations which were:

- (1) considered unresolved per Exhibit 11 in the 1976-77 Auditor's Report,
- (2) contained in the body of the 1976-77 Auditor's Report.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY

(See Note)

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
July 10, 1975	1.	Arising out of the statement of the Auditor to the Public Accounts Committee April 8th, 1975, the Committee recommends again that costs of Boards and Commissions be regulated and controlled and that budgets be struck and that specific regulations in regard to these Boards and Commissions be laid down by Management Board of Cabinet.	Section 65-11 of the Ontario Manual of Administration, setting out specific guidelines for the administration of Royal Commissions, was issued on July 20, 1978.
			Section 25-2 of the Ontario Manual of Administration, establishing the extent to which the administrative policies of Management Board apply to the various agencies, boards and commissions of the Ontario Government, was issued on September 11, 1978.
			Additionally, a revised policy on Travel, Meal and Hospitality Expenses (60-2) was issued on August 11, 1978 for inclusion in the Ontario Manual of Administration. In this connection, we were advised by the Secretary of Management Board of Cabinet on August 22, 1978 that "this new policy supersedes the one which is currently in the Manual of Administration as well as the guidelines for the remuneration of the expenses of part-time members of agencies, boards and commissions which were approved by Management Board on February 10, 1976."
July 10, 1975	3.	The Committee again recommends that the Student Awards Program have some penalties incorporated in it for those who try to defraud the system.	On June 5, 1978 the Deputy Minister of Colleges and Universities wrote to us as follows: "The matter of legislating specific penalties was again considered when the Ministry developed its new student assistance program for 1978-79. It was agreed that the existing penalties, namely the Minister's right to refuse assistance where the program has been abused, the civil remedy of suing for repayment of all the money in cases of manipulation or fraud, and the penalties incorporated in The Canada Student Loans Act (since it is a joint application form), are adequate."

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	(See Note)	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
July 10, 1975	4.	The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.		On August 1, 1978 the Secretary of Management Board of Cabinet advised, in part:
				". . . it is necessary to make a distinction between guidelines for the use of data, and guidelines relating to the security of that data.
				"Guidelines for the use of data are closely tied to the concepts of privacy and freedom of information. These are social and legal issues with ramifications of such complexity that their resolution has been referred to the Commission on Freedom of Information and Individual Privacy under the chairmanship of Dr. D. C. Williams.
				"We fully expect that major public policy proposals and draft legislation including guidelines for the use of data will flow from the work of this Commission. Meanwhile, it remains the policy to expect each ministry to establish its own procedures and guidelines for the use of the data which it collects and controls.
				"Section 55-2-5 of the Manual of Administration, which has been in effect since January 6, 1971, includes general policies regarding the security of data in computer systems. These policies place the responsibility for security directly on the user ministry.
				"In light of the work that is currently being carried out in this area by both the Commission on Freedom of Information and Individual Privacy and the Commission of Inquiry into the Confidentiality of Health Records in Ontario, any revision of the administrative guidelines on the use and security of data at this time would seem premature. However, we are monitoring the progress of both these Commissions with interest, and

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
July 10, 1975	23.	<p>The Provincial Auditor brought to the attention of the Legislature and this Committee the inconsistency of the audit provision in agency legislation.</p> <p>The Committee recommends that all agency legislation provide for a uniform audit provision that would require the Provincial Auditor to perform or direct the annual audit of Crown Corporations and Agencies.</p>	<p>we plan to make any necessary changes as soon as possible after their findings are announced.”</p> <p>On August 9, 1978 the Deputy Minister of Government Services supplied us with a status report describing recent changes and improvements which have been made in the security of information by the Computer Services Division of his ministry.</p> <p>Pursuant to section 9 of The Audit Act, 1977, which came into force on April 1, 1978, in the case of any agency of the Crown (as defined in the Act) which is not audited by the Provincial Auditor, the audit shall be performed under his direction. In the case of any Crown controlled corporation (as defined in the Act) which is not audited by the Provincial Auditor, the person or persons performing the audit are now required to send a copy of the audited financial statements together with a copy of their report of their findings and recommendations to management, to the Provincial Auditor. Additionally, the Provincial Auditor now has access to all working papers, reports, schedules and other documents in respect of such audits.</p>
July 10, 1975	24.	<p>The Committee was advised that certain sections of The Audit Act are redundant now that the Province is on a post-audit basis. Therefore, the Committee recommends that consideration be given to drafting a new Audit Act. This Act should include provisions with respect to:</p> <ol style="list-style-type: none"> 1. the protection of the Provincial Auditor and his staff appearing before a Committee of the Assembly; 	<p>Section 27(1) of The Audit Act, 1977 provides that “No proceedings lie against the Auditor, the Assistant Auditor, any person employed in the Office of the Auditor . . . , for anything he may do or report or say in the course of the exercise or the intended exercise of functions under this Act, unless it is shown that he acted in bad faith.”</p> <p>Section 16 of The Audit Act, 1977 provides that, at the request of the Standing Public Accounts Committee, the Provincial Auditor and a member of his staff shall attend committee meetings to assist regarding the planning of its agenda and regarding its review of the Public Accounts and the annual re-</p>

**STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE
STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED**

DATE OF REPORT	RECOMMENDATION #	(See Note)	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
Dec. 14, 1976	6.	2. relationship of the Auditor to the Standing Committee on Public Accounts.	The Committee recommends that regulations be introduced prohibiting hospital staff doctors, who own laboratories, from in any manner influencing the allocation of any laboratory work to the said laboratories.	port of the Auditor. The Auditor is also required to examine into and report on any matter referred to him by a resolution of the committee.
Dec. 14, 1976	6.		The Committee recommends that regulations be introduced prohibiting hospital staff doctors, who own laboratories, from in any manner influencing the allocation of any laboratory work to the said laboratories.	The Deputy Minister of Health provided the following information on August 18, 1978:
			"In March 1977, Ontario Regulation 195/77 was passed, which stated that medical practitioners or their family members should not have an interest in a laboratory unless, they were not treating patients, were specialists in laboratory medicines, or were willing to accept special, non-OMA Fee Schedule payment arrangements. This regulation was to come into force in September, 1977. Because of concerns expressed, the promulgation of O. Reg. 195/77 was deferred to allow time for the Ministry and the profession to explore alternative means of dealing with the matter.	"Late last fall, . . . a new regulation was prepared. This regulation states that it is a conflict of interest if a physician orders tests that are not medically necessary from a diagnostic facility in which he or a member of his family has an interest. If a physician contravenes the section, he is subject to discipline by the College . . . O. Reg. 71/78 . . . was filed on January 27, 1978, and became effective on February 1, 1978.
				"At the time that O. Reg. 71/78 was filed, O. Reg. 70/78 under The Public Health Act was filed as well, which postponed the effective date of O. Reg. 195/77 to December 31, 1979. . . ."
Dec. 14, 1976	7.		The Committee further recommends that an independent study be undertaken analyzing the need for, cost, location, operation and regulation of private medical laboratories.	On August 18, 1978 the Deputy Minister of Health wrote to us and his comments were, in part, as follows: "The cost of a study to ascertain the cost of performing the thirty most common laboratory procedures was estimated to

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION (See Note)	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
			be well over \$100,000. As mentioned, the cost benefits were questionable, . . .
			"With regard to the location of private medical laboratories, the Ministry has not licensed any new private laboratories or specimen collection centres in the recent years, although private laboratories have on occasion been downgraded to specimen collection centres.
			"With reference to the cost of private medical laboratories, the Ministry is at the present time considering the feasibility of common financial statements for private laboratories similar to the nursing homes.
			"In summary, an independent study would not be feasible at this time, although the Ministry has taken positive courses of action to further rationalize and fine-tune the system."
			Per Exhibit 12 of 1976-77 Report, we were advised on April 29, 1977 by the Secretary of the Management Board of Cabinet that Management Board Orders would be tabled with the Treasurer's quarterly and year-end financial reports, and Special Warrants would be placed before the Legislature on the first day of each new session. We have confirmed that Management Board Orders are now sent to all members of the Assembly together with the Treasurer's quarterly and year-end financial reports; additionally, the three Special Warrants issued during the 1977-78 fiscal year (all dated in May 1977) were placed before the Legislature on June 28, 1977.
			On June 5, 1978 the Deputy Minister of Colleges and Universities advised:
			"The preparation of these regulations is taking more time than
Dec. 14, 1976	9.	The Committee reiterates the recommendation of the Public Accounts Committee of November 15, 1973, "that the Treasurer introduce legislation which would require Management Board Orders and Special Warrants be placed before the Legislature for ratification".	
		The Committee feels this is in line with the responsibility and accountability of the government to the Legislature.	
Dec. 14, 1976	10.	The Committee recommends that detailed regulations be developed setting out the criteria for the payment of grants to Universities and Colleges.	

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
Dec. 14, 1976	12.	The Committee recommends that the Ministry review The Workmen's Compensation Act to determine if amendments are necessary to clarify administrative matters.	originally anticipated. However, work is progressing and the draft regulations covering the financial year 1978-79 will be forwarded to the Legislative Council Office for approval in due course."
			On August 15, 1978 we were advised by the Deputy Minister of Labour that:
			"... The Workmen's Compensation Amendment Act, 1978 (Bill 126) dealt only with matters relating to benefit levels ... While it was recognized that there may be administrative provisions in The Workmen's Compensation Act which require consideration and possible amendment, it was felt that to combine these matters with amendments to the benefit levels would result in unwarranted delay in the passage of the legislation to the detriment of benefit recipients. Accordingly, it was decided to limit the scope of Bill 126 to the revision of benefit levels."
Dec. 14, 1976	13.	The Committee has been advised that a new Audit Act is in the hands of the Treasurer. The Committee repeats the recommendation contained in its July 1975 Interim Report that the new Audit Act be referred to the Standing Committee on Public Accounts by the Legislature for clause by clause review.	Prior to its passage, The Audit Act, 1977 was subject to clause by clause review by the Standing Public Accounts Committee during meetings held on November 3, November 10 and November 17, 1977.
Dec. 14, 1976	16.	The Committee recommends that the Legislature appoint a Committee to study the function and the role of the Public Accounts Committee.	As at the date of the 1977-78 Auditor's Report the Legislature had not appointed such a Committee.

**STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE
STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED**

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
March 29, 1977	1.	The Committee recommends that every reasonable step should be taken by the Ministry to dispose of the assets of Minaki Lodge by sale to the private market.	On July 31, 1978 the Secretary of Minaki Lodge Resort Ltd. wrote as follows: "As a result of public statements to the effect that Minaki Lodge was for sale to the private sector, a number of enquiries were received. The Company's Board of Directors distributed fact sheets outlining the history, current state and financial investments made in Minaki Lodge to some fourteen identified interested parties and had replies from three of them, only two of which were worthy of further attention. "Further examination by the Board of Directors determined that neither proposal was reasonable or acceptable as a basis on which the Board could recommend to the Government the sale of the assets of this Company. The potential buyers were so advised."
March 29, 1977	2.	The Committee recommends that, failing recommendation number 1, the Government should develop a plan for the future of Minaki Lodge and report to the House as soon as possible.	On July 31, 1978 the Secretary of Minaki Lodge Resort Ltd. wrote as follows: "The Board, subsequently, has been instructed by the Ministry on the basis of a Cabinet decision to proceed with the completion of Minaki Lodge. A proviso is that the Company enter into an agreement with a private sector hotel/resort operator immediately so that this operator will be a party to selecting an architect, help us supervise architectural specifications, select a contractor, complete the lodge and operate it on behalf of this Company. On July 17-19 the Board met with four such operators and have now invited specific proposals from them. "It is anticipated that an announcement can be made concerning the successful operator in the fall."

**STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE
STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED**

(See Note)

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
March 29, 1977	3.	The Committee recommends that every Ministry of the Government when presenting a submission to Cabinet for capital funding for a major project, such as Minaki Lodge, must fully develop a complete plan after a thorough investigation and the presentation should include all projected capital and operating costs as well as all related costs (i.e. hydro, roads, etc.).	On August 22, 1978 the Secretary of Management Board of Cabinet wrote: "I can advise you that the task force under the Chairmanship of the Secretariat has completed its work. A proposed policy on Capital Expenditure Evaluation is on the Agenda of Management Board today, together with a number of other recommendations dealing with various aspects of the planning and financing of capital projects."
March 29, 1977	—	The Committee further recommends that the Government should explore the process for acquisition of property by the Development Corporations and examine the appropriateness of retaining ownership by the Development Corporations as compared to direct ownership by a Ministry or by an appropriate Crown Corporation.	As stated in Exhibit 12 of our 1976-77 Report, on August 24, 1977 the Secretary of the Management Board of Cabinet advised that the questions of the acquisition and ownership of property should be addressed by the Ministry of Industry and Tourism, since the issue is dependent upon the role which is defined by the Ministry for the development corporations. On September 20, 1978 we were advised by the Deputy Minister of Industry and Tourism, in part, that the "future role of the Development Corporations is still under discussion "Meanwhile, I might point out that The Development Corporations Act, 1973 gives the Corporations full authority to acquire and hold property. I might particularly draw your attention to Section 11(b) and Section 12(1)(e)."
Dec. 15, 1977	1.	The Committee recommends that the Ministry of Revenue should establish minimum basic guidelines to be followed in all subsequent applications for exemption of the tax payable under The Land Speculation Tax Act, 1974.	On August 25, 1978 the Deputy Minister of Revenue mailed us a set of general guidelines used by the Ministry in considering, reviewing, verifying and evaluating applications for special tax relief under The Land Speculation Tax Act, 1974.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT			
DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	
Dec. 15, 1977	2.	<p>The Committee recommends that the Ministry of Revenue should explore the legality of rescinding Ontario Regulation 340/76 and if legally possible assess the tax payable on the sale of Brantford property by Ronto Development Company to George Winpey (Canada) Limited.</p> <p>The Committee further recommends that the Minister of Health appoint suitable lay persons with financial backgrounds to be members of the inspection team of the Medical Review Committee as envisaged under section 43 of The Health Insurance Act; that these people deal only with the financial aspects and accounting procedures of the doctors.</p>	<p>As a result of a point of order raised by a member of the Legislature, it was determined that the subject matter resulting in this particular recommendation did not fall within the terms of reference of the Standing Public Accounts Committee.</p>
Dec. 15, 1977	—	<p>The Committee recommends, regarding the Ontario Tax Credit System, that supporting documents should accompany the income tax form to indicate that the tax credits in fact are warranted. It is only in the area of tax credits as they relate to home shelter credits that receipts are not required.</p>	<p>On August 18, 1978 the Deputy Minister of Health sent us a copy of an appointment notification dated July 6, 1978, which listed both medical and financial inspector appointments to the Medical Review Committee. The Deputy Minister advised that, prior to any reappointment, the Ministry will discuss with the College of Physicians and Surgeons of Ontario the financial backgrounds of lay persons.</p>
June 22, 1978	—	<p>The Committee recommends, regarding the Ontario Tax Credit System, that supporting documents should accompany the income tax form to indicate that the tax credits in fact are warranted. It is only in the area of tax credits as they relate to home shelter credits that receipts are not required.</p>	See note.
June 22, 1978	—	<p>As a result of its meetings dealing with the Royal Commission on Violence in the Communications Industry, the Committee recommends:</p> <ol style="list-style-type: none"> 1. that the manual of administration be followed by any further Royal Commis- 	See note.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE
STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
		(See Note)	
		<p>sion, and that the terms of reference setting up the Commission specify that the manual of administration must be followed;</p> <p>2. that personal expenditures for Royal Commissioners be the same as that allowed for M.P.'s on select committees;</p> <p>3. that staff who are hired on a full-time or contract basis be not paid on a per diem basis;</p> <p>4. that a time frame for reporting be established at the outset and be adhered to or approval of the Lieutenant Governor in Council must be sought, and that if there is any extension required, that the same be reported to the Legislature and the reasons therefor;</p> <p>5. that a specific date for the winding-up of the Commission business and a date when the Commission ceases to act as Commissioner be decided upon by the Lieutenant Governor in Council;</p> <p>6. that it be the Government decision on how many copies of a report will be published rather than it be the decision of the Royal Commission or Commissioners.</p>	

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

(See Note)

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
June 22, 1978	—	The Committee recommends that the Soldiers' Aid Commission be wound up. The Committee recommends that any moneys that are left be turned over to the Treasurer in trust, and that any moneys to be paid out be handled by personnel in the Ministry of Community and Social Services.	See note.
June 22, 1978	—	The Committee recommends that there be an annual actuarial review to update the amounts required for the pension plans administered by the Province. The Committee also recommends that, if possible, the assumptions and projections of the actuarial review be published in a budget paper to give a clear view of the financial picture of the Province. As well, the Committee recommends that consistent payments be made at the same time every year so as not to distort the financial requirements of the Province.	See note.
June 22, 1978	—	The Committee recommends that there be a finite time limit placed in the Ontario Loan Acts, perhaps an 18-month period. There is an indication that at present the Treasurer could borrow up to \$600 million without further reference to the Legislature because of amounts outstanding from Loan Acts that have been passed in previous years.	See note.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE
STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY—CONTINUED

DATE OF REPORT	RECOMMENDATION #	CONTENT OF RECOMMENDATION	STATUS AS AT DATE OF PREPARATION OF 1977-78 AUDITOR'S REPORT
June 22, 1978	—	(See Note) The Committee also recommends that all government borrowings should be consolidated under one Ontario Loan Act to avoid confusion and to give a clear picture of the financial requirements of the Province.	See note.
June 22, 1978	—	The Committee recommends that all government departments with the exception of the Motor Vehicle Claims Branch and Community and Social Services turn over their delinquent accounts to the Central Collection Services section of the Ministry of Government Services as soon as possible, but no longer than 120 days after they become delinquent.	See note.

NOTE: This Exhibit includes the status of the recommendations contained in the Standing Public Accounts Committee's July 10, 1975, December 14, 1976 and March 29, 1977 Reports to the Legislature which were considered unresolved as at the date of our 1976-77 Auditor's Report (see Exhibit 12 of the 1976-77 Auditor's Report).

The Exhibit also includes all of the recommendations contained in the Committee's Reports to the Legislature dated December 15, 1977 and June 22, 1978. In connection with the June 22, 1978 Report, it is considered that, generally, insufficient time has elapsed to permit effective action to be taken with regard to the recommendations contained therein. Accordingly, the status of these recommendations will be included in the 1978-79 Auditor's Report.

BINDING SECT. JUL 30 1980

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